

Contents

- 68 Directors' responsibility statement
- 69 Independent auditor's report to the members of Mothercare plc
- 70 Consolidated income statement
- 70 Consolidated statement of comprehensive income
- 71 Consolidated balance sheet
- 72 Consolidated statement of changes in equity
- 73 Consolidated cash flow statement
- 74 Notes to the consolidated financial statements

Company financial statements

- 115 Independent auditor's report on the Company financial statements
- 116 Company balance sheet
- 117 Notes to the Company financial statements
- 120 Five-year record
- 121 Shareholder information

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 Chairman's Statement, Chief Executive's Statement, Business Review, Financial Review and the Directors' Report include 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 22 May 2013 and signed on its behalf by:



Simon Calver
Chief Executive Officer



Matt Smith
Chief Financial Officer

Independent auditor's report to the members of Mothercare plc

We have audited the group financial statements of Mothercare plc for the 52 weeks ended 30 March 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the group 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 group 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.

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 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 30 March 2013 and of its loss for the 52 weeks then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, contained within the corporate governance report, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Mothercare plc for the 52 weeks ended 30 March 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.

Ian Waller

Ian Waller (Senior statutory auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
22 May 2013

Consolidated income statement

For the 52 weeks ended 30 March 2013

	Note	52 weeks ended 30 March 2013			53 weeks ended 31 March 2012		
		Underlying ¹ £ million	Non- underlying ² £ million	Total £ million	Underlying ¹ £ million	Non- underlying ² £ million	Total £ million
Revenue	4, 5	749.4	–	749.4	812.7	–	812.7
Cost of sales		(702.0)	5.7	(696.3)	(768.4)	(2.0)	(770.4)
Gross profit		47.4	5.7	53.1	44.3	(2.0)	42.3
Administrative expenses		(34.4)	(5.9)	(40.3)	(39.1)	(10.1)	(49.2)
Profit/(loss) from retail operations	7	13.0	(0.2)	12.8	5.2	(12.1)	(6.9)
Loss on disposal/termination of property interests	6	–	(13.8)	(13.8)	–	(22.6)	(22.6)
Other exceptional items	6	–	(15.4)	(15.4)	–	(69.3)	(69.3)
Share of results of joint ventures and associates	13,14	(1.4)	–	(1.4)	(3.2)	(0.4)	(3.6)
Loss from operations		11.6	(29.4)	(17.8)	2.0	(104.4)	(102.4)
Net finance costs	8	(3.3)	(0.4)	(3.7)	(0.4)	(0.1)	(0.5)
Loss before taxation		8.3	(29.8)	(21.5)	1.6	(104.5)	(102.9)
Taxation	9	(2.8)	2.3	(0.5)	–	11.1	11.1
Loss for the period attributable to equity holders of the parent		5.5	(27.5)	(22.0)	1.6	(93.4)	(91.8)
(Loss)/earnings per share							
Basic	11	6.2p		(24.9p)	1.8p		(105.2p)
Diluted	11	6.1p		(24.9p)	1.8p		(105.2p)

1 Before items described in note 2 below.

2 Includes exceptional items (profit/(loss) on disposal/termination of property interests, restructuring costs, impairment charges and provision for onerous leases) 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.

All results relate to continuing operations.

Consolidated statement of comprehensive income/(expense)

For the 52 weeks ended 30 March 2013

	Note	52 weeks ended 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
Other comprehensive expense – actuarial loss on defined benefit pension schemes	29	(16.0)	(21.2)
Cash flow hedges: losses arising in the period		(0.3)	–
Tax relating to components of other comprehensive income	9	3.0	4.1
Exchange differences on translation of foreign operations		0.6	(0.1)
Net loss recognised in other comprehensive income/(expense)		(12.7)	(17.2)
Loss for the period		(22.0)	(91.8)
Total comprehensive expense for the period attributable to equity holders of the parent		(34.7)	(109.0)

Consolidated balance sheet

As at 30 March 2013

	Note	30 March 2013 £ million	31 March 2012 £ million
Non-current assets			
Goodwill	15	26.8	26.8
Intangible assets	15	19.7	22.1
Property, plant and equipment	16	69.6	86.3
Investments in joint ventures	13	8.0	6.8
Investment in associate	14	–	3.2
Deferred tax asset	17	21.7	17.6
		145.8	162.8
Current assets			
Inventories	18	110.6	99.1
Trade and other receivables	19	58.1	74.7
Current tax assets		1.0	–
Derivative financial instruments	22	7.3	–
Cash and cash equivalents	20	17.6	1.8
		194.6	175.6
Total assets		340.4	338.4
Current liabilities			
Trade and other payables	23	(123.3)	(123.8)
Borrowings	21	(3.5)	(1.9)
Current tax liabilities		(0.5)	(0.1)
Derivative financial instruments	22	(0.3)	(1.3)
Short term provisions	24	(21.4)	(24.5)
		(149.0)	(151.6)
Non-current liabilities			
Trade and other payables	23	(28.1)	(29.0)
Borrowings	21	(46.5)	(20.0)
Retirement benefit obligations	29	(61.6)	(52.7)
Long term provisions	24	(16.4)	(12.4)
		(152.6)	(114.1)
Total liabilities		(301.6)	(265.7)
Net assets		38.8	72.7
Equity attributable to equity holders of the parent			
Share capital	25	44.3	44.3
Share premium account		6.2	6.2
Other reserve		6.2	50.8
Own shares	25	(0.6)	(2.1)
Translation and hedging reserve		0.3	–
Retained deficit		(17.6)	(26.5)
Total equity		38.8	72.7

Approved by the board and authorised for issue on 22 May 2013 and signed on its behalf by:



Simon Calver
Chief Executive Officer



Matt Smith
Chief Financial Officer

Consolidated statement of changes in equity

For the 52 weeks ended 30 March 2013

	Equity attributable to equity holders of the parent						Total equity £ million
	Share capital £ million	Share premium account £ million	Other reserve ¹ £ million	Own shares £ million	Translation and hedging reserve £ million	Retained earnings £ 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	(13.0)	(12.7)
Loss for the period	–	–	–	–	–	(22.0)	(22.0)
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

For the 53 weeks ended 31 March 2012

	Equity attributable to equity holders of the parent						Total equity £ million
	Share capital £ million	Share premium account £ million	Other reserve ¹ £ million	Own shares £ million	Translation reserve £ million	Retained earnings £ million	
Balance at 27 March 2011	44.3	5.9	50.8	(9.0)	0.1	100.7	192.8
Other comprehensive expense for the period	–	–	–	–	(0.1)	(17.1)	(17.2)
Loss for the period	–	–	–	–	–	(91.8)	(91.8)
Total comprehensive expense for the period	–	–	–	–	(0.1)	(108.9)	(109.0)
Issue of equity shares	–	0.3	–	–	–	–	0.3
Credit to equity for equity-settled share-based payments	–	–	–	–	–	0.5	0.5
Shares transferred to employees on vesting	–	–	–	6.9	–	(6.9)	–
Dividends paid	–	–	–	–	–	(11.9)	(11.9)
Balance at 31 March 2012	44.3	6.2	50.8	(2.1)	–	(26.5)	72.7

¹ The other reserve relates to shares issued as consideration for the acquisition of Early Learning Centre on 19 June 2007.

Consolidated cash flow statement

For the 52 weeks ended 30 March 2013

	Note	52 weeks ended 30 March 2013 £ million	53 weeks ended 31 March 2012 Restated* £ million
Net cash flow from operating activities	26	6.8	5.6
Cash flows from investing activities			
Interest received		–	0.9
Purchase of property, plant and equipment		(13.2)	(21.7)
Purchase of intangibles – software		(3.0)	(3.2)
Proceeds from sale of property, plant and equipment		2.2	2.3
Investments in joint ventures and associates		(1.8)	(5.7)
Net cash used in investing activities		(15.8)	(27.4)
Cash flows from financing activities			
Interest paid		(2.8)	(1.3)
Facility fees paid		(1.4)	–
Bank loans raised		30.0	20.0
Equity dividends paid		–	(11.9)
Issue of ordinary share capital		–	0.3
Net cash raised in financing activities		25.8	7.1
Net increase/(decrease) in cash and cash equivalents		16.8	(14.7)
Cash and cash equivalents at beginning of period		(0.1)	15.3
Effect of foreign exchange rate changes		0.9	(0.7)
Net cash and cash equivalents/(debt) at end of period		17.6	(0.1)

* The cash flow statement for the 53 weeks ended 31 March 2012 has been restated to give a better understanding of the movement in provisions and their impact on exceptional items.

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 121. The nature of the group's operations and its principal activities are set out in note 5 and in the business review on pages 22 to 39.

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 30 March 2013. The comparative period covered the 53 weeks ended 31 March 2012.

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

There are no new standards in the year affecting the presentation and disclosure of the financial statements.

New standards affecting the reported results and financial position

There are no new standards in the year affecting the reported results and financial position.

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 12 'Deferred Tax: Recovery of Underlying Assets'
- IFRS 7 (amended): 'Financial instruments disclosures'

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).

- Amendments to IAS 1 'Presentation of items of other comprehensive income'
- Annual improvements to IFRSs – (2009-2011) Cycle
- Amendments to IFRS 7 and IAS 32 'Disclosures – Offsetting Financial Assets and Financial Liabilities'
- IFRS 9 'Financial Instruments'
- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of interests in other entities'
- IFRS 13 'Fair value measurement'
- Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment entities'
- IAS 19 (Revised) 'Employee benefits'
- IAS 27 (Revised) 'Separate Financial Statements'
- IAS 28 (Revised) 'Investments in Associates and Joint Ventures'

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, except as follows:

- IAS 19 (revised) will impact the measurement of the various components representing movements in the defined benefit pension obligation and associated disclosures, but not the group's total obligation. Following the adoption of IAS 19 (revised) effective from periods starting after 1 January 2013 the net retirement benefit obligation in the balance sheet will not be impacted but the net finance cost of pensions within the income statement will increase. This will reduce profit for the year and accordingly increase other comprehensive income. The impact of these changes is shown within the financial review.

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 40. The principal accounting policies are set out on the following pages.

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 30 March 2013. 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 despatch.

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.

Notes to the consolidated financial statements

continued

2. Significant accounting policies continued

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

Profit from retail operations

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

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 profits/losses on the disposal/termination of property interests, provision for onerous leases, 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

The group has taken the decision not to adopt hedge accounting under IAS 39 'Financial Instruments:

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

Amortisation of intangible assets

The balance sheet includes identifiable intangible assets which arose on the acquisition of the Early Learning Centre 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.

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 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 22.

Notes to the consolidated financial statements

continued

2. Significant accounting policies continued

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.

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.

Notes to the consolidated financial statements

continued

2. Significant accounting policies continued

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. 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. Forward foreign currency contracts are recognised initially at fair value, which is updated at each balance sheet date. Changes in the fair values are recognised in the income statement. The interest rate swaps 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.

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.

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 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 29 to the consolidated financial statements describes the principal discount rate, earnings increase and pension retirement benefit obligation assumptions that have been used to determine the pension and post-retirement charges in accordance with IAS 19. The calculation of any charge relating to retirement benefits is clearly dependent on the assumptions used, which reflects the exercise of judgement. The assumptions adopted are based on prior experience, market conditions and the advice of plan actuaries.

At 30 March 2013, the group's pension liability was £61.6 million (2012: £52.7 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 (2012: £26.8 million).

Notes to the consolidated financial statements

continued

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

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).

4. Revenue

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

	52 weeks ended 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
Revenue	749.4	812.7
Interest revenue (note 8)	0.2	0.9
Total revenue	749.6	813.6

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 30 March 2013			
	UK £ million	International £ million	Unallocated corporate expenses £ million	Consolidated £ million
Revenue				
External sales	499.7	249.7	–	749.4
Result				
Segment result (underlying)	(21.7)	42.0	(7.8)	12.5
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				(17.8)
Net finance costs (including £0.4 million non-underlying)				(3.7)
Loss before taxation				(21.5)
Taxation				(0.5)
Loss for the period				(22.0)

	53 weeks ended 31 March 2012			
	UK £ million	International £ million	Unallocated corporate expenses £ million	Consolidated £ million
Revenue				
External sales	560.0	252.7	–	812.7
Result				
Segment result (underlying)	(24.7)	34.9	(7.6)	2.6
Share-based payments				(0.6)
Non-cash foreign currency adjustments (non-underlying)				2.0
Amortisation of intangible assets (non-underlying)				(2.0)
Exceptional items (note 6)				(104.4)
Loss from operations				(102.4)
Net finance costs (including £0.1 million non-underlying)				(0.5)
Loss before taxation				(102.9)
Taxation				11.1
Loss for the period				(91.8)

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 15.2% (2012: 13.8%) of group sales.

	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

In addition to the depreciation and amortisation reported above, impairment losses of £4.0 million, £nil million and £0.1 million (2012: impairment losses of £9.4 million, £41.8 million and £13.2 million) were recognised in respect of property, plant and equipment, goodwill and intangible assets respectively. These impairment losses were attributable to the UK segment.

	53 weeks ended 31 March 2012		
	UK Restated* £ million	International Restated* £ million	Consolidated £ million
Other information			
Capital additions	20.1	5.9	26.0
Depreciation and amortisation	17.8	5.0	22.8
Balance sheet			
Assets			
Segment assets	203.1	115.8	318.9
Unallocated corporate assets			19.5
Consolidated total assets			338.4
Liabilities			
Segment liabilities	176.0	13.7	189.7
Unallocated corporate liabilities			76.0
Consolidated total liabilities			265.7

* Capital additions and depreciation and amortisation have been restated to separately identify those items that form part of the International segment.

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 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 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
Exceptional items:		
Restructuring costs in cost of sales	(0.2)	(2.0)
Restructuring costs included in administrative expenses	(4.0)	(7.1)
Store property, plant and equipment impairment included in administrative expenses	(1.8)	(3.8)
Share-based payment (charge)/credit included in administrative expenses	(0.1)	0.8
Onerous lease provision	(4.3)	(11.5)
Loss on disposal/termination of property interests	(13.8)	(22.6)
Goodwill and intangible assets impairment (see note 15)	–	(55.0)
Impairment of investment in and receivables due from associate	(11.1)	(2.8)
Restructuring cost in associate	–	(0.4)
Restructuring costs in finance costs	(0.4)	–
Total exceptional items:	(35.7)	(104.4)
Other non-underlying items:		
Non-cash foreign currency adjustments under IAS 39 and IAS 21 ¹	6.9	2.0
Amortisation of intangibles ¹	(1.0)	(2.0)
Unwinding of discount on exceptional property provisions included in finance costs	–	(0.1)
Exceptional and other non-underlying items	(29.8)	(104.5)

¹ Included in non-underlying cost of sales is a credit of £ 5.9 million (2012: £nil million).

Restructuring costs in cost of sales

During the 52 weeks ended 30 March 2013 further costs of £0.2 million have been incurred in respect of the rationalisation in the prior year of the group's online warehousing operations (2012: £2.0 million was incurred in relation to the same rationalisation).

Restructuring costs in administration expenses

During the 52 weeks ended 30 March 2013 a charge of £4.0 million (2012: £7.1 million) was recognised relating to further head office restructuring, the impact of the write-off of redundant IT system assets, partly offset by a curtailment gain arising on the closure of the group's defined pension scheme (see note 29).

Store property, plant and equipment impairment included in administration expenses

During the 52 weeks ended 30 March 2013 the group has made provision of £1.8 million (2012: £3.8 million) for store impairment where the carrying value of property plant and equipment is higher than the net realisable value and value in use.

Share-based payment charge included in administrative expenses

During the 52 weeks ended 30 March 2013 a £0.1 million charge was recognised in respect of leavers from the executive incentive share schemes (2012: credit of £0.8 million).

Onerous lease provision

A provision of £4.3 million has been made for onerous leases relating to vacant, sub-let and trading properties having taken into consideration the results for the year, and the continued pressure on the UK store portfolio (2012: £11.5 million). Onerous lease provisions have been recognised where there is an expected shortfall in the store contribution to cover the fixed rental obligations. A discount rate of 1.8% has been used in calculating the provision, being the risk-free rate.

Loss on disposal/termination of property interests

During the 52 weeks ended 30 March 2013 a net charge of £13.8 million (2012: £22.6 million) has been recognised in loss from operations relating to losses on disposal/termination of property interests relating to the store reduction programme announced in April 2012.

Notes to the consolidated financial statements

continued

6. Exceptional and other non-underlying items continued

Goodwill and intangible assets impairment

The group has carried out a review to determine whether there is any indication that the goodwill and intangible assets have suffered any impairment loss. It has been determined that no further impairment is required (2012: £55.0 million).

Impairment of investment in associate

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. Following a significant and sustained deterioration of local trading conditions in Australia, the group made a provision of £10.6 million at the time of the interim statement, covering the remaining value of its investment in and other receivables due from Mothercare Australia Limited. Following unsuccessful negotiations with potential buyers the directors of Mothercare Australia Limited placed the business into voluntary administration in January 2013. Since then further costs of £0.5 million have been incurred in respect of storage, additional freight and additional legal costs.

7. Profit/(loss) from retail operations

Profit/(loss) from retail operations has been arrived at after (crediting)/charging:

	52 weeks ended 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
Net total foreign exchange gains	(12.0)	(5.2)
Cost of inventories recognised as an expense	458.7	491.8
Write down/(release) of inventories to net realisable value	1.7	(0.5)
Depreciation of property, plant and equipment	15.8	16.2
Amortisation of intangible assets – software	4.6	4.6
Amortisation of intangible assets – other included in non-underlying cost of sales	1.0	2.0
Impairment of property, plant and equipment	1.8	3.8
Loss on disposal of property, plant and equipment	0.4	0.7
Net rent of properties	54.2	65.4
Amortisation of lease incentives	(4.9)	(5.2)
Hire of plant and equipment	1.3	1.9
Staff costs (including directors):		
Wages and salaries (including cash bonuses, excluding share-based payment charges)	77.2	85.8
Social security costs	4.5	5.3
Pension costs (see note 29)	4.1	2.5
Share-based payment charges/(credit) (see note 28)	0.9	(0.2)
Exceptional costs included in cost of sales (see note 6)	0.2	2.0
Exceptional costs included in administrative expenses (see note 6)	4.0	7.1

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 30 March 2013 number	53 weeks ended 31 March 2012 number
Number of employees comprising:		
UK stores	5,264	5,890
Head office	711	779
Overseas	251	274
	6,226	6,943
Full time equivalents	3,959	4,350

Details of directors' emoluments, share options and beneficial interests are provided within the remuneration report on pages 52 to 66.

For the 52 weeks ended 30 March 2013, profit from retail operations is stated after a non-underlying net credit of £6.9 million (2012: £2.0 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 30 March 2013 £ million	53 weeks ended 31 March 2012 £ 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	–
Other services	–	0.2
Total non-audit fees	0.1	0.2

Other services were £nil million (2012: £0.2 million includes fees in connection with restructuring and the review of the group's interim statement).

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 46, in the corporate governance report.

Notes to the consolidated financial statements

continued

8. Net finance costs

	52 weeks ended 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
Interest receivable	(0.2)	(0.9)
Interest and bank fees on bank loans and overdrafts	3.9	1.3
Unwinding of discounts on provisions	–	0.1
Net finance costs	3.7	0.5

9. Taxation

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

	52 weeks ended 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
Current tax:		
Current year	1.4	(2.1)
Adjustment in respect of prior periods	0.3	(2.4)
	1.7	(4.5)
Deferred tax: (see note 17)		
Current year	(1.1)	(6.5)
Change in tax rate in respect of prior periods	–	(0.5)
Adjustment in respect of prior periods	(0.1)	0.4
	(1.2)	(6.6)
Charge/(credit) for taxation on loss for the period	0.5	(11.1)

UK corporation tax is calculated at 24% (2012: 26%) of the estimated assessable loss for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
Loss for the period before taxation	(21.5)	(102.9)
Loss for the period before taxation multiplied by the standard rate of corporation tax in the UK of 24% (2012: 26%)	(5.2)	(26.7)
Effects of:		
Expenses not deductible for tax purposes	5.1	15.4
Change in tax rate	0.1	0.2
Impact of overseas tax rates	(0.5)	(0.2)
Utilisation of tax losses not previously recognised against capital gains	–	0.3
Adjustment in respect of prior periods	0.2	(2.0)
Impact of write-off of prior year deferred tax asset	0.8	1.9
Charge/(credit) for taxation on loss for the period	0.5	(11.1)

In addition to the amount charged to the income statement, deferred tax relating to retirement benefit obligations amounting to £3.0 million has been credited directly to other comprehensive income (2012: £4.1 million).

10. Dividends

	52 weeks ended 30 March 2013		53 weeks ended 31 March 2012	
	pence per share	£ million	pence per share	£ million
Amounts recognised as distributions to equity holders in the period				
Final dividend for the prior period	Nil	–	11.9p	10.1
Interim dividend for the current period	Nil	–	2.0p	1.8
		–		11.9

The directors are not recommending the payment of a final dividend for the year (2012: £nil) and no interim dividend was paid during the year (2012: 2.0 pence per share).

Notes to the consolidated financial statements

continued

11. Earnings per share

	52 weeks ended 30 March 2013 million	53 weeks ended 31 March 2012 million
Weighted average number of shares in issue	88.5	87.2
Dilution – option schemes (for underlying results only)	1.1	1.7
Diluted weighted average number of shares in issue	89.6	88.9
	£ million	£ million
Loss for basic and diluted earnings per share	(22.0)	(91.8)
Exceptional and other non-underlying items (note 6)	29.8	104.5
Tax effect of above items	(2.3)	(11.1)
Underlying earnings	5.5	1.6
	pence	pence
Basic loss per share	(24.9)	(105.2)
Basic underlying earnings per share	6.2	1.8
Diluted loss per share	(24.9)	(105.2)
Diluted underlying earnings per share	6.1	1.8

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 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
Investments at start of period	6.8	3.2
Additions	1.8	4.5
Share of loss	(0.6)	(0.9)
Investments at end of period	8.0	6.8
Summary aggregate financial results and position of joint ventures:		
Current assets	22.5	14.9
Non-current assets	7.2	4.8
Total assets	29.7	19.7
Current liabilities	(13.3)	(8.2)
Non-current liabilities	–	–
Total liabilities	(13.3)	(8.2)
Total joint venture revenue	45.3	25.5
Total loss for the period	(2.0)	(3.1)

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 (£1.1 million), Rhea Retail Private Limited (£0.5 million) and Juno Retail Private Limited (£0.2 million).

Notes to the consolidated financial statements

continued

14. Investments in associate

	52 weeks ended 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
Investment at start of period	3.2	7.2
Additions	–	1.5
Share of loss	(0.8)	(2.7)
Impairment	(2.4)	(2.8)
Investment at end of period	–	3.2
Summary financial results and position of associates:		
Current assets	–	17.9
Non-current assets	–	15.6
Total assets	–	33.5
Current liabilities	–	(17.7)
Non-current liabilities	–	(3.4)
Total liabilities	–	(21.1)
Total revenue for the period	14.8	51.1
Total loss for the period	(2.7)	(11.3)

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. Following a significant and sustained deterioration of local trading conditions in Australia, the group made a provision of £10.6 million at the time of the interim statement, covering the remaining value of its investment in and other receivables due from Mothercare Australia Limited. Following unsuccessful negotiations with potential buyers the directors of Mothercare Australia Limited placed the business into voluntary administration in January 2013.

As at 30 March 2013, Mothercare Australia Limited was being managed by the administrators and the Company does not have access to the financial information of Mothercare Australia Limited and therefore the summary financial position has not been provided.

15. Goodwill and intangible assets

	Intangible assets					
	Goodwill £ million	Trade name £ million	Customer relationships £ million	Software £ million	Software under development £ million	Total £ million
Cost						
As at 27 March 2011	68.6	28.6	5.7	26.4	–	60.7
Additions	–	–	–	3.2	–	3.2
Exchange differences	–	0.2	–	–	–	0.2
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 30 March 2013	68.6	28.8	5.7	26.4	0.2	61.1
Amortisation and impairment losses						
As at 27 March 2011	–	5.0	3.1	14.1	–	22.2
Impairment losses	41.8	12.0	1.2	–	–	13.2
Amortisation	–	1.3	0.7	4.6	–	6.6
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 30 March 2013	41.8	19.3	5.1	17.0	–	41.4
Net book value						
As at 26 March 2011	68.6	23.6	2.6	12.3	–	38.5
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

Goodwill, trade name and customer relationships relate to the acquisition of 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, 2012: nil) and International (£26.8 million, 2012: £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 8.8% (2012: 9.83%) 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 (2012: 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.

Notes to the consolidated financial statements

continued

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 £0.9 million (2012: £1.5 million) of internally generated intangible assets.

At 30 March 2013, the group had entered into contractual commitments for the acquisition of software amounting to £0.4 million (2012: £0.3 million).

16. Property, plant and equipment

	Properties including fixed equipment		Fixtures, fittings, equipment £ million	Assets in course of construction £ million	Total £ million
	Freehold £ million	Leasehold £ million			
Cost					
As at 27 March 2011	12.0	117.6	204.6	2.4	336.6
Transfers	(0.6)	0.6	2.4	(2.4)	–
Additions	–	5.3	6.7	10.8	22.8
Exchange differences	–	–	(0.1)	–	(0.1)
Disposals	(1.2)	(1.8)	(3.9)	–	(6.9)
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)	(25.9)	(113.1)	–	(141.3)
As at 30 March 2013	7.9	100.5	106.9	1.2	216.5
Accumulated depreciation and impairment					
As at 27 March 2011	2.6	86.3	156.6	–	245.5
Charge for period	0.1	4.8	11.3	–	16.2
Impairment	0.1	4.0	5.3	–	9.4
Exchange differences	–	–	(0.1)	–	(0.1)
Disposals	(0.2)	(1.3)	(3.4)	–	(4.9)
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)	(25.8)	(113.1)	–	(139.0)
As at 30 March 2013	2.5	74.4	70.0	–	146.9
Net book value					
As at 26 March 2011	9.4	31.3	48.0	2.4	91.1
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

The net book value of leasehold properties includes £25.6 million (2012: £27.5 million) in respect of short leasehold properties. £1.8 million of the impairment on property, plant and equipment has been included within non-underlying administration expenses and the remaining £2.2 million is included within loss on disposal/termination of property interests.

At 31 March 2013, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1.7 million (2012: £3.6 million).

Freehold land and buildings with a carrying amount of £5.4 million (2012: £7.6 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 27 March 2011	(2.1)	3.4	9.7	1.9	(6.0)	–	6.9
Credit/(charge) to income	0.5	4.5	(1.2)	(1.9)	4.0	0.7	6.6
Credit to other comprehensive income	–	–	4.1	–	–	–	4.1
At 1 April 2012	(1.6)	7.9	12.6	–	(2.0)	0.7	17.6
Credit/(charge) to income	2.4	(0.4)	(1.4)	0.2	0.2	0.2	1.2
Transfer to current tax	–	–	–	–	–	(0.1)	(0.1)
Credit to other comprehensive income	–	–	3.0	–	–	–	3.0
At 30 March 2013	0.8	7.5	14.2	0.2	(1.8)	0.8	21.7

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:

	30 March 2013 £ million	31 March 2012 £ million
Deferred tax assets	27.1	23.4
Deferred tax liabilities	(5.4)	(5.8)
	21.7	17.6

At the balance sheet date the group has unused tax losses of £3.6 million (2012: £2.8 million) available for offset against future profits. A deferred tax asset has been recognised of £0.8 million in respect of £3.6 million (2012: £0.7 million in respect of £2.8 million) of such losses.

At the reporting date, deferred tax liabilities of £0.2 million (2012: £0.8 million) relating to withholding taxes have not been provided in respect of the aggregate amount of unremitted earnings of £11.0 million (2012: £5.9 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 30 March 2013, the group has unused capital losses of £636.0 million (2012: £662.5 million) available for offset against future capital gains. No asset has been recognised in respect of the capital losses as it is not considered probable that there will be future taxable capital gains. The capital losses may be carried forward indefinitely.

Notes to the consolidated financial statements

continued

18. Inventories

	30 March 2013 £ million	31 March 2012 £ million
Gross value	117.2	104.0
Allowance against carrying value of inventories	(6.6)	(4.9)
Finished goods and goods for resale	110.6	99.1

The amount of write-down of inventories to net realisable value recognised within net income in the period is £1.7 million (2012: net income of £0.5 million).

19. Trade and other receivables

	30 March 2013 £ million	31 March 2012 £ million
Trade receivables gross	38.9	48.8
Allowance for doubtful debts	(1.8)	(1.6)
Trade receivables net	37.1	47.2
Prepayments and accrued income	17.4	19.0
Other receivables	3.6	7.1
Trade and other receivables due within one year	58.1	73.3
	30 March 2013 £ million	31 March 2012 £ million
Trade and other receivables due after more than one year	–	1.4

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

	52 weeks ended 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
Balance at beginning of period	(1.6)	(1.4)
Charged in the period	(0.2)	(0.2)
Balance at end of period	(1.8)	(1.6)

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.

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

	30 March 2013 £ million	31 March 2012 £ million
Trade receivables gross	38.9	50.2
Allowance for doubtful debts	(1.8)	(1.6)
Trade receivables net	37.1	48.6
Of which trade receivables gross comprise:		
Amounts not past due on the reporting date	35.2	44.1
Amounts past due:		
Less than one month	2.0	1.3
Between one and three months	0.7	2.2
Between three and six months	0.6	1.2
Greater than six months	0.4	1.4
Allowance for doubtful debts:		
Amounts not past due on the reporting date	(0.5)	(0.3)
Less than one month	(0.2)	–
Between one and three months	–	–
Between three and six months	(0.5)	(0.3)
Greater than six months	(0.6)	(1.0)
Trade accounts receivable net carrying amount	37.1	48.6

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 22. 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.

Notes to the consolidated financial statements

continued

21. Borrowing facilities

The group had outstanding borrowings at 30 March 2013 of £50.0 million (2012: £21.9 million).

Committed borrowing facilities

The group agreed a refinancing of its banking facilities as of 11 April 2012 with its two existing banks, increasing the level of committed facilities from £80 million to £90 million and extending the term to 31 May 2015 at an interest rate range of 3.5% to 4% above LIBOR. These facilities comprise a £50 million term loan and a £40 million revolving credit facility of which £10 million is available to be utilised in the form of an overdraft. At the year end £50 million had been drawn down against the facility as a term loan. The term loan carries a fixed interest rate at 4.0% 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.

	30 March 2013 £ million	31 March 2012 £ million
Borrowings:		
Unsecured borrowings at amortised cost:		
Bank overdrafts (net of cash in transit)	–	(1.9)
Secured borrowings at amortised cost:		
Committed facility	(50.0)	(20.0)
Amount due for settlement within one year	(3.5)	(1.9)
Amount due for settlement after one year	(46.5)	(20.0)
Total borrowings	(50.0)	(21.9)
Weighted average interest rate paid (%)	4.68	2.24

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

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

International sales represent 33% (2012: 31%) of group sales. Of these sales, 35% (2012: 23%) were invoiced in foreign currency. The group purchases product in foreign currencies, representing approximately 51% (2012: 46%) of purchases.

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

	30 March 2013 £ million	31 March 2012 £ million
Foreign currency forward exchange contracts:		
Not later than one year	118.5	110.7
After one year but not more than five years	6.1	9.5
	124.6	120.2

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

	Liabilities		Assets	
	30 March 2013 £ million	31 March 2012 £ million	30 March 2013 £ million	31 March 2012 £ million
US dollar	(4.0)	(5.0)	6.2	14.4
Euro	–	(0.2)	0.4	2.4
Hong Kong dollar	(3.7)	(2.0)	0.7	0.4
Indian rupee	(1.0)	(0.2)	1.9	1.2
Chinese renminbi	(0.3)	(0.6)	0.2	0.2
Bangladeshi taka	–	–	0.2	–
Australian dollar	–	–	0.3	–
Singapore dollar	–	–	0.1	0.1
	(9.0)	(8.0)	10.0	18.7

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

	30 March 2013 £ million	31 March 2012 £ million
At notional value	124.6	120.2
At fair value – less than one year	6.9	(1.1)
At fair value – more than one year	0.4	(0.1)
Total fair value	7.3	(1.2)

At 30 March 2013, the average hedged rate for outstanding forward foreign currency contracts is 1.61 for US dollars. There were no forward contracts in place for any other currencies at the year end. These contracts mature between April 2013 and April 2014. 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 £nil million (2012: £0.1 million below notional value).

Notes to the consolidated financial statements

continued

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.

	30 March 2013 £ million	31 March 2012 £ million
US dollar impact	(6.9)	(9.9)

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 £17.6 million and derivative financial assets.

The average credit period on trade receivables was 19 days (2012: 21 days) based on total group revenue. The average credit period on International trade receivables based on international revenue was 57 days (2012: 67 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 during the current period, 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 contract and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

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:

	30 March 2013 £ million	31 March 2012 £ million
Notional value of term borrowings	50.0	–
Interest rate swaps at fair value	(0.3)	–

	Average contract fixed interest rate		Notional principal value		Fair value	
	30 March 2013 %	31 March 2012 %	30 March 2013 £ million	31 March 2012 £ million	30 March 2013 £ million	31 March 2012 £ million
Tranche 1	1.131	–	20.0	–	(0.2)	–
Tranche 2	1.040	–	20.0	–	(0.1)	–
Tranche 3	0.69	–	10.0	–	–	–
			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

	30 March 2013 £ million	31 March 2012 £ million
Current liabilities		
Trade payables	70.3	71.0
Payroll and other taxes including social security	1.8	2.3
Accruals and deferred income	43.4	43.7
VAT payable	2.8	2.0
Lease incentives	5.0	4.8
	123.3	123.8
Non-current liabilities		
Lease incentives	28.1	29.0

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 57 days (2012: 53 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.

Notes to the consolidated financial statements

continued

24. Provisions

	30 March 2013 £ million	31 March 2012 £ million
Current liabilities		
Property provisions	20.5	24.1
Other provisions	0.9	0.4
Short term provisions	21.4	24.5
Non-current liabilities		
Property provisions	15.4	12.0
Other provisions	1.0	0.4
Long term provisions	16.4	12.4
Property provisions	35.9	36.1
Other provisions	1.9	0.8
Total provisions	37.8	36.9

The movement on total provisions is as follows:

	Property provisions £ million	Other provisions £ million	Total provisions £ million
Balance at 1 April 2012	36.1	0.8	36.9
Utilised in period	(16.9)	(0.2)	(17.1)
Charged in period	20.8	1.3	22.1
Released in period	(4.1)	–	(4.1)
Balance at 30 March 2013	35.9	1.9	37.8

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 two financial years.

Other provisions represent provisions for uninsured losses (£1.5 million), hence the timing of the utilisation of these provisions is uncertain and provisions for an onerous support contract for a decommissioned IT project (£0.4 million) which is expected to be utilised over the next four financial years.

25. Share capital

	52 weeks ended 30 March 2013 Number of shares	53 weeks ended 31 March 2012 Number of shares	52 weeks ended 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
Issued and fully paid				
Ordinary shares of 50 pence each:				
Balance at beginning of period	88,636,762	88,540,219	44.3	44.3
Issued under the Mothercare Sharesave Scheme	16,655	96,543	–	–
Balance at end of period	88,653,417	88,636,762	44.3	44.3

Further details of employee and executive share schemes are given in note 28.

The own shares reserve of £0.6 million (2012: £2.1 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 28). The total shareholding is 108,497 (2012: 443,545) with a market value at 30 March 2013 of £0.3 million (2012: £0.7 million).

26. Reconciliation of cash flow from operating activities

	52 weeks ended 30 March 2013 £ million	53 weeks ended 31 March 2012 Restated* £ million
Profit/(loss) from retail operations	12.8	(6.9)
Adjustments for:		
Depreciation of property, plant and equipment	15.8	16.2
Amortisation of intangible assets	5.6	6.6
Impairment of property, plant and equipment and intangible assets	1.9	3.8
Losses on disposal of property, plant and equipment and intangible assets	4.2	0.7
Profit on non-underlying non-cash foreign currency adjustments	(6.9)	(2.0)
Equity-settled share-based payments	0.8	0.5
Movement in provisions	(15.4)	(8.0)
Cash payments for non-underlying property disposals and other exceptional items	–	(0.7)
Amortisation of lease incentives	(4.9)	(5.2)
Lease incentives received	3.5	3.5
Payments to retirement benefit schemes	(7.2)	(8.0)
Charge to profit from operations in respect of retirement benefit schemes	0.1	1.9
Operating cash flow before movement in working capital	10.3	2.4
(Increase)/decrease in inventories	(11.7)	18.5
Decrease/(increase) in receivables	8.5	(9.8)
Increase/(decrease) in payables	2.2	(9.6)
Cash generated from operations	9.3	1.5
Income taxes (paid)/ received	(2.5)	4.1
Net cash inflow from operating activities	6.8	5.6

* The cash flow statement for the 53 weeks ended 31 March 2012 has been restated to give a better understanding of the movement in provisions and their impact on exceptional items.

Notes to the consolidated financial statements

continued

26. Reconciliation of cash flow from operating activities continued

	1 April 2012 £ million	Cashflow £ million	Foreign exchange £ million	30 March 2013 £ million
Cash and cash equivalents	1.8	14.9	0.9	17.6
Net overdrafts	(1.9)	1.9	–	–
Cash and cash equivalents/(debt)	(0.1)	16.8	0.9	17.6

27. Operating lease arrangements

The group as lessee:

	52 weeks ended 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
Amounts recognised in cost of sales for the period:		
Minimum lease payments paid	55.3	67.4
Contingent rents	0.4	0.4
Minimum sub-lease payments received	(0.2)	(0.5)
Net rent expense for the period	55.5	67.3

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

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

	30 March 2013 £ million	31 March 2012 £ million
Not later than one year	59.2	65.2
After one year but not more than five years	177.8	195.6
After five years	149.2	185.7
Total future minimum lease payments	386.2	446.5

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

	30 March 2013 £ million	31 March 2012 £ million
Not later than one year	1.4	1.4
After one year but not more than five years	2.7	3.6
After five years	1.4	1.8
Total future minimum lease payments	5.5	6.8

28. 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 £0.9 million (2012: £0.6 million), including national insurance, of which £0.8 million (2012: £0.5 million) was equity-settled. The exceptional charge for share-based payments of £0.1 million (2012: £0.8 million credit) arises in respect of leavers from the executive incentive share schemes. At 30 March 2013 the liability in the balance sheet is £0.2 million related to the expected national insurance charge when share-based payment schemes vest (2012: £0.1 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 Plan

Details of the share schemes that the group operates are provided in the directors' remuneration report on pages 52 to 66.

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 30 March 2013 Number of shares	53 weeks ended 31 March 2012 Number of shares
Balance at beginning of period	326p	30,000	30,000
Lapsed during the period	335p	(7,500)	–
Balance at end of period	324p	22,500	30,000

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 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

28. 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 30 March 2013 Number of shares	53 weeks ended 31 March 2012 Number of shares
Balance at beginning of period	139p	3,186,791	768,613
Granted during period	242p	299,407	2,752,739
Forfeited during period	126p	(234,320)	(34,216)
Exercised during period	123p	(16,655)	(96,543)
Cancelled in the period	130p	(197,200)	(161,811)
Expired during period	225p	(444,211)	(41,991)
Balance at end of period	138p	2,593,812	3,186,791

The shares outstanding at 30 March 2013 had a weighted average remaining contractual life of 2.5 years and ranged in price from 115p to 497p.

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

	December 2012	December 2011	December 2009
Grant date			
Number of options granted	299,407	2,752,739	230,951
Share price at grant date	340p	159p	676p
Exercise price	242p	115p	497p
Expected volatility	50.0%	43.1%	30.0%
Risk-free rate	0.46%	0.58%	3.00%
Expected dividend yield	Nil	3.00%	3.00%
Time to expiry	3.25 years	3.25 years	3.25 years
Fair value of option	158.5p	56.4p	172.9p

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 2010 and 2011 schemes are 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:

	May 2011	June 2010
Grant date		
Market capitalisation at award date	£449.0m	£562.7m
Expected Mothercare share price volatility	30.0%	30.0%
Expected Index volatility	30.0%	30.0%
Risk-free rate	2.38%	2.68%
Correlation between Mothercare and the Index	50.0%	50.0%
Time to expiry	3 years	3 years
Fair value at grant date	£1.8m	£3.0m
Fair value at 30 March 2013	£0.1m	Nil

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 30 March 2013 Number of shares	53 weeks ended 31 March 2012 Number of shares
Balance at beginning of period	1,051,318	1,332,889
Awarded during period	–	994,807
Lapsed during period	(376,361)	(1,276,378)
Balance at end of period	674,957	1,051,318

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.

	November 2011	May 2011	November 2010	June 2010
Grant date				
Number of shares awarded	376,154	618,653	62,992	578,863
Exercise price	Nil	Nil	Nil	Nil
Time to expiry	3 years	3 years	3 years	3 years
Fair value per share	137p	446p	522p	520p

E. Deferred Shares Scheme

The Deferred Shares scheme is a conditional award of shares determined on historic company performance. The number of shares outstanding under the Deferred Shares scheme is as follows:

	52 weeks ended 30 March 2013 Number of shares	53 weeks ended 31 March 2012 Number of shares
Balance at beginning of period	109,709	167,290
Lapsed during period	(18,577)	(57,581)
Vested during period	(53,481)	–
Balance at end of period	37,651	109,709

	June 2010	June 2010
Grant date		
Number of shares awarded	96,060	96,060
Fair value price at date of grant	557p	557p
Exercise price	Nil	Nil
Time to expiry	1 year	2 years

Notes to the consolidated financial statements

continued

28. 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	2 years	2 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 Plan 2012

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 2015 or 2016. The performance period is from 1 April 2012 to 28 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.

Grant date	March 2013	March 2013
	PBT awards	Share price awards
Number of shares awarded	1,152,153	1,152,154
Share price at date of grant	289p	289p
Exercise price	Nil	Nil
Expected volatility	57.8%	57.8%
Risk-free rate	0.28%	0.28%
Expected dividend yield	Nil	Nil
Fair value of shares granted	289p	130p
Average time to expiry	2.5 years	2.5 years

29. 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 £0.5 million (2012: £0.6 million) represents contributions due and paid to these schemes by the group at rates specified in the rules of the plan.

Defined benefit schemes

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

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

In 2009 the 'career average' schemes were closed to new entrants.

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

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

On 1 October 2012 Mothercare began consultation with members of the Mothercare Staff Pension Scheme and the Mothercare Executive Pension Schemes to:

- Close the Mothercare Staff & Executive Pension Schemes to future accrual of benefits from 30 March 2013
- Break any final salary link so the pension will be based on pensionable salary (Staff scheme) or final pensionable salary (Executive scheme) as defined in the Scheme rules as at 30 March 2013
- Introduce a replacement pension scheme with a different contribution structure

This consultation ended on 18 January 2013. Having given all representations made due consideration, the Company felt it had no option but to make the changes above in order to best protect the benefits that members have already accumulated in the schemes. Therefore the Mothercare Staff Pension Scheme and the Mothercare Executive Pension Schemes have been closed with effect from 30 March 2013.

The most recent full actuarial valuations as at March 2011 were updated as at 30 March 2013 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 IAS 19 valuation conducted for the period ending 30 March 2013 disclosed a net defined pension deficit of £61.6 million (2012: £52.7 million).

The major assumptions used in the updated actuarial valuations were:

	30 March 2013	31 March 2012
Discount rate	4.6%	4.9%
Inflation rate – RPI	3.4%	3.3%
Inflation rate – CPI	2.4%	2.3%
Future pension increases	3.3%	3.2%
Expected rate of salary increases (note 1)	n/a	3.3%
Expected return on schemes' assets (note 2)	n/a	6.0%
Analysed between:		
Equities	n/a	7.3%
Bonds	n/a	4.7%
Property	n/a	5.3%
Alternative assets	n/a	6.3%
Other assets	n/a	4.7%

1 Following the closure of the Scheme to future benefit accrual, a salary increase assumption is not required.

2 As a result of changes to IAS 19 which will be effective for the year ended March 2014 an expected return assumption at 30 March 2013 is not applicable, as this will not be used to measure the return on assets going forward.

Notes to the consolidated financial statements

continued

29. Retirement benefit schemes continued

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

The mortality assumptions used are the SAPS tables published by the CMI allowing for future improvements in line with the CMI 2010 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%	-/+7.0
Rate of price inflation	+/- 0.1%	+/- 6.2
Life expectancy	+ 1 year	+ 9.3

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

	52 weeks ended 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
Current service cost	2.4	2.3
Interest cost	13.2	13.5
Expected return on schemes' assets	(12.2)	(13.7)
Gains on curtailment	(3.3)	(0.2)
	0.1	1.9

Current service cost, interest cost and expected return on schemes' assets have been included in underlying administrative expenses and the curtailment gain is included within non-underlying administrative expenses.

The expected return on scheme assets was a gain of £12.2 million (2012: a gain of £13.7 million) with a resulting actuarial gain of £5.9 million (2012: loss of £8.5 million).

There was an actuarial loss of £21.9 million (2012: a loss of £12.7 million) relating to the defined benefit obligations.

The amount recognised in other comprehensive income for the period ended 30 March 2013 is a loss of £16.0 million (2012: a loss of £21.2 million).

The total cumulative actuarial loss recognised in other comprehensive income is £69.3 million (2012: £53.3 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:

	30 March 2013 £ million	31 March 2012 £ million
Present value of defined benefit obligations	296.4	270.0
Fair value of schemes' assets	(234.8)	(217.3)
Liability recognised in balance sheet	61.6	52.7

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

	52 weeks ended 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
At beginning of period	270.0	246.0
Service cost	2.4	2.3
Gains on curtailments	(3.3)	(0.2)
Interest cost	13.2	13.5
Contribution from scheme members	1.2	1.5
Actuarial losses	21.9	12.7
Benefits paid	(9.0)	(5.8)
At end of period	296.4	270.0

Movements in the fair value of schemes' assets were as follows:

	52 weeks ended 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
At beginning of period	217.3	208.4
Expected return on schemes' assets	12.2	13.7
Actuarial gains/(losses)	5.9	(8.5)
Company contributions	7.2	8.0
Members' contributions	1.2	1.5
Benefits paid	(9.0)	(5.8)
At end of period	234.8	217.3

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

	30 March 2013 per cent	30 March 2013 £ million	31 March 2012 per cent	31 March 2012 £ million
Equities	n/a	84.7	7.3	84.6
Bonds	n/a	76.5	4.7	63.1
Property	n/a	21.1	5.3	24.5
Alternative assets	n/a	47.2	6.3	33.7
Other assets	n/a	5.3	4.7	11.4
		234.8		217.3

As a result of changes to IAS 19 which will be effective for the year ending March 2014, an expected return assumption at 30 March 2013 is not required.

Notes to the consolidated financial statements

continued

29. Retirement benefit schemes continued

The history of experience adjustments is as follows:

	52 weeks ended 30 March 2013	53 weeks ended 31 March 2012	52 weeks ended 26 March 2011	52 weeks ended 27 March 2010	52 weeks ended 28 March 2009
Present value of defined benefit obligations	£296.4m	£270.0m	£246.0m	£252.1m	£175.6m
Fair value of schemes' assets	(£234.8m)	(£217.3m)	(£208.4m)	(£197.0m)	(£150.2m)
Deficit in the schemes	£61.6m	£52.7m	£37.6m	£55.1m	£25.4m
Experience adjustments on schemes' liabilities	£21.9m	£12.7m	(£19.0m)	£66.0m	(£1.9m)
Percentage of schemes' liabilities	7.4%	4.7%	7.7%	26.2%	1.1%
Experience adjustments on schemes' assets	£5.9m	(£8.5m)	(£2.5m)	£33.9m	(£44.9m)
Percentage of schemes' assets	2.5%	3.9%	1.2%	17.2%	29.9%

The estimated amount of cash contributions expected to be paid to the schemes during the 52 weeks ending 29 March 2014 is £6.2 million.

30. 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:

	Sales of goods £ million	Purchase of goods £ million	Amounts owed by related parties £ million	Amounts owed to related parties £ million
52 weeks ended 30 March 2013				
Joint ventures and associates	21.5	–	5.8	–
	Sales of goods £ million	Purchase of goods £ million	Amounts owed by related parties £ million	Amounts owed to related parties £ million
53 weeks ended 31 March 2012				
Joint ventures and associates	22.0	–	9.9	–

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 £0.8 million (2012: £0.8 million) has been made for doubtful debts in respect of the amounts owed by related parties. An amount of £8.2 million (2012: £nil) has been written off in respect of amounts owed by related parties (see note 14).

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 52 to 66.

	52 weeks ended 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
Short-term employee benefits	3.1	3.6
Post employment benefits	0.3	0.5
Compensation for loss of office	0.7	2.2
Share-based payments	0.4	0.5
	4.5	6.8

Mothercare Pension scheme

Details of other transactions and balances held with the two pension schemes are set out in note 29.

Other transactions with key management personnel

There were no other transactions with key management personnel.

31. Events after the balance sheet date

As part of the Transformation and Growth plan an in-depth organisational review was conducted to streamline the group's structure and processes. As a result of the potential restructuring a number of employees in the head office in the UK and the overseas sourcing offices are in consultation. There are likely to be additional exceptional costs of approximately £5 million in respect of the implementation of this review and these will be charged in the next financial year.

There were no other events after the balance sheet date.