Board of directors

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

1. Alan Parker CBE R N F
Chairman

Appointed in August 2011.
Executive Chairman of Mothercare plc from 17 November 2011 to 30 April 2012. Non-executive chairman of Darty plc and non-executive independent director of Burger King Worldwide Inc. President and Chairman of the British Hospitality Association. Formerly Chief Executive of Whitbread plc and Managing Director EMEA of Holiday Inn.

2. Simon Calver F
Chief Executive Officer

Appointed in April 2012.
Formerly Chief Executive of Lovefilm International; CEO of Video Island; President and Chief Operating Officer of Riverdeep Inc; Vice President and General Manager of Home and Small Business, UK and Ireland, Dell Computer Corporation; Vice President International Sales Operations, PepsiCo Inc.and Vice President PepsiCola UK Ltd.

3. Matt Smith F
Chief Financial Officer

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

4. Angela Brav A R N F
Non-executive Director

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

5. Lee Ginsberg A R N F
Non-executive Director

Appointed in July 2012.
Chief Financial Officer of Domino's Pizza Group plc, a position he has held for over eight years. Previously Group Finance Director of Holmes Place plc.

6. Amanda Mackenzie A R N F
Non-executive Director

Appointed in January 2011.
Chief Marketing and Communications Officer of Aviva plc. A member of Aviva's Executive Committee and Executive sponsor for diversity. A member of Lord Davies' steering group to increase the number of women on boards; President of the Marketing Society and a board member of the National Youth Orchestra.

7. Richard Rivers A R N F
Non-executive Director

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

8. David Williams A R N F
Non-executive Director

Appointed in August 2004. Chair of Operating Partners of Duke Street LLP, The Original Factory Shop Ltd; Natures Way Foods Ltd and Wagamama Ltd. Non-executive Director of the Royal London Mutual Insurance Group Ltd. Formerly chairman of Simple Ltd, Avebury Taverns Ltd, Sandpiper Ltd, Wyevale Garden Centres plc and Ideal Shopping Direct plc, Adelie Food Holdings Ltd and Oasis Dental Healthcare Ltd. Formerly Governor of the London Business School.

Executive committee

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1. Simon Calver
Chief Executive Officer

(See opposite page for biography)

2. Matt Smith
Chief Financial Officer

(See opposite page for biography)

3. Tim Ashby
Group General Counsel and Company Secretary

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

4. Jude Bridge
Group Brand and Marketing Director

Appointed December 2012
Formerly Director of Marketing, Campaigns and Communications at Save the Children; Director of marketing communications at M&S; Board Account Director at Publicis; International Brands Director at United Biscuits.

5. Philippe Dayraud
Group Product Development and Sourcing Director

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

6. Louise Palmer
Group People Director

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

7. Jerry Cull
Managing Director – International

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

8. Matt Stringer
UK Commercial Director

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

Corporate governance

"Good corporate governance is critical. We have used last year's board evaluation, and Simon Calver's arrival, to be clear on our objectives and to provide appropriate guidance to the Company."

Alan Parker CBE
Chairman

The Company believes that establishing and maintaining a high standard of corporate governance in all of the group's activities will enhance its reputation and performance, and promote and benefit the interests of investors, customers, staff, franchise partners and other stakeholders. To this end, and save as described below, the Company considers that it has complied throughout the 52-week period ended on 30 March 2013 with the relevant provisions set out in the UK Corporate Governance Code published by the Financial Reporting Council (FRC) (www.frc.org.uk) in 2010, having applied the main and supporting principles set out in Sections A to E of the Code. The Company is aware that changes have been proposed by the 2012 UK Corporate Governance Code but these do not apply to this year's annual report. The Financial Reporting Council is encouraging early compliance of the new Code and consequently certain elements of the 2012 Code have been applied in this report.

The board

The leadership of the Mothercare plc business is provided by the Mothercare plc board. The board operates on a unitary basis and ordinarily comprises the non-executive chairman, five independent non-executive directors, and two full-time executive directors, being the Chief Executive Officer and the Chief Financial Officer. During the past year, and for the reasons set out in last year's annual report, Alan Parker operated as Executive Chairman until 30 April 2012, when Simon Calver arrived as the Chief Executive on the same date. In his time as Executive Chairman, Alan Parker worked three days a week for, and did not become chief executive of, the Company. It is noted that this was a technical breach of the UK Corporate Governance Code requirement to separate the responsibilities of running the Company and running the board, even though Alan Parker did not become Chief Executive. Upon Simon Calver's arrival, the board agreed the process by which the Chairman returned to his non-executive role and defined the separate roles and responsibilities of the Chairman and Chief Executive. The Chairman is responsible for leadership of the board, with particular emphasis on its effective operation, the highest standards of corporate governance and the board's oversight of the business and delivery of its strategy. The role of Simon Calver as the Chief Executive Officer is to lead the business and manage it within the authorities delegated by the board.

There were several changes to the board during the year. Lee Ginsberg became a non-executive director on 2 July 2012. Bernard Cragg stepped down as the Senior Independent Director and Chair of the Audit Committee on 23 November 2012, and retired on 31 December 2012 after nine years as a non-executive director. Consequently, on 23 November 2012, Lee Ginsberg became Chair of the Audit Committee and Richard Rivers became the Senior Independent Director. Angela Brav joined the Company as a non-executive director on 1 January 2013, and Matt Smith joined the Company as its Chief Financial Officer on 25 March 2013. The Company has also announced that (1) after serving nine years as a non-executive director, David Williams is stepping down as Chair of the Remuneration Committee and will be retiring on 31 May 2013; and (2) Imelda Walsh is appointed as a new non-executive director with effect from 1 June 2013, and will assume the role of Chair of the Remuneration Committee following completion of the Company's annual general meeting in July.

A key element of the board's responsibility is monitoring and reviewing the effectiveness of the Company's system of internal control, and the non-executive directors challenge and scrutinise its effectiveness and integrity. The Company has continued to maintain a system of internal control within an executive management structure with defined lines of responsibility and delegation of authority within prescribed financial and operational limits. The system of internal control is based on financial, operational, compliance and risk control policies and procedures together with regular reporting of financial performance and measurement of key performance indicators. Risk management, planning, budgeting and forecasting procedures are also in place together with formal capital investment and appraisal arrangements.

During the previous year, the Chairman instigated a detailed externally facilitated evaluation of the board, and its effectiveness and operation. The conclusions of the review (presented to the board in March 2012) were positive. In addition, the review provided recommendations to improve further the overall effectiveness of the board, its composition and its interaction with the business. These included:

- Promoting greater interaction between the board and the executive committee
- reflecting the international (and global) nature of the business
- ensuring that there is a clear transition of the Chairman from executive to non-executive following Simon Calver's appointment
- increasing the number of women on the board, particularly to reflect the nature of the Mothercare and ELC business.

The board has implemented these changes: it receives more frequent presentations from the members of the executive committee, there is a more formal strategy process attended by all members of the executive committee and the board, and individual members of the board and executive committee meet throughout the year outside the structure of board meetings. The Chairman has made several visits to the group's international franchise partners including trips to the Middle East and China, and members of the board will attend this year's international franchise partner meeting in Singapore. The board ensured that the roles of the Chairman and the new group Chief Executive were clear and distinct following Simon Calver's arrival.

Going concern

The directors have reviewed the going concern principle in the light of the guidance provided by the FRC. The group's business activities, and the factors likely to affect its future development are set out in the business review. The financial position of the group, its cash flows, liquidity position and borrowing facilities are set out in the financial review on pages 24 to 27. In addition, notes 21 and 22 to the financial statements include the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its hedging arrangements and its exposure to credit and liquidity risks.

Diversity

The importance of improving the diversity balance (including gender) on boards of UK listed companies is recognised. Following Imelda Walsh's appointment on 1 June 2013, the Mothercare plc board (including the executive directors) comprises three women and five men, and the executive committee (excluding the executive directors) has two women and four men. The Company believes it is well positioned to support gender diversity at all senior levels and, as at 30 March 2013, 49% of the senior management positions (the two grades below executive committee) were held by women (2012: 53 per cent).

Board evaluation – recommendations included:

- Greater interaction between the board and the executive committee
- Reflect the International and global nature of the business
- Clear transition of the Chairman from executive to non-executive
- Increase the number of women on the board

"In addition to the formal recommendations, I am pleased with the quality of information, discussion and debate that we have at our board meetings."
Alan Parker

Corporate governance continued

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

A review of the business performance is set out in the financial review. UK retail sales have declined year on year due to store closures and declining like-for-like sales across the store estate partially offset by increases in our Direct in Home business. Profit has benefited from the property strategy, with the continued exit from loss-making stores and tight cost control. The International business continues to expand generating an underlying profit for the period of £42.0m (FY2012: £34.9m)

The group continues to implement the conclusions of the structural and operational review of the size and scope of its business that was carried out in early 2012 and announced as the three-year Transformation and Growth plan. The focus remains to stabilise like-for-like sales and margin, reduce the UK central costs, close additional UK stores to focus on 200 profitable stores, accelerate international expansion (with more store openings in both new and existing countries), and launch combined online and in store customer options with a new website in the UK and 30 new overseas websites. The resulting strategy will deliver a transformation of the UK business, together with increased International growth over the same period.

At the year end the group had committed secured bank facilities with HSBC and Barclays of £90 million (at an interest rate range of 3.5 per cent to 4.0 per cent above LIBOR) until 31 May 2015 (see note 21). These facilities provide sufficient liquidity and covenant headroom to accommodate the three-year strategy. The covenants in the facilities are tested quarterly and are based around gearing, fixed charge cover and guarantor cover.

The maximum net debt balance during the period was £55.2 million and at the year end the group had a net debt balance of £32.4 million funded by a drawdown against the loan facility of £50 million, net of £17.6 million of cash.

The continued challenging economic conditions, particularly the difficult consumer and retail environment, create uncertainty around the level of demand for the group's products. However, after one year of the Transformation and Growth plan which is supported by long term contracts with its franchisees around the world, long standing relationships with many of its suppliers and other mitigating actions available, the directors believe that the group is well placed to manage its business risks successfully despite the uncertain economic outlook.

The group's latest forecasts and projections, which incorporate the continued execution of the Transformation and Growth plan, assume a stabilisation of gross margin and like-for-like revenues within UK stores, continued retail sales growth within the International business and an improvement in working capital, have been sensitivity-tested for reasonably possible adverse variations in trading performance. This indicates the group will operate within the terms of its borrowing facilities and covenants for the foreseeable future. To the extent that future trading is worse than a reasonably possible downside, which the directors do not consider a likely scenario, then there are mitigating actions available which would enable the group to continue to operate within the terms of the borrowing facilities and covenants for the foreseeable future.

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

Risk management

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

The principal risks and uncertainties facing the Company are set out on pages 30 to 32.

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

For many years, the Company has applied its risk management principles to its International business, for example by carrying out audits of its franchise partners, and taking out trade insurance against key franchise receivables. The Company has additional controls in place with its joint venture partners. However, in January 2013, the Company's associate in Australia, Mothercare Australia Limited, in which the group held 23 per cent of the share capital, was placed in voluntary administration by its directors. The administrators did not find a buyer of the business as a going concern and consequently sold the stock in the business in an orderly manner at the same time as winding down the business. Mothercare Australia Limited operated 74 stores in Australia and New Zealand.

The group sources its products primarily from India, China and Bangladesh, and the group has sourcing offices in each of these countries. In addition, some furniture products are supplied from Vietnam. The sourcing offices are responsible for ensuring that appropriate governance standards are observed by the suppliers used by the group, and has a dedicated corporate responsibility team. More details are set out in the corporate responsibility section of this report on pages 33 to 37.

The board believes that the system of internal control described can provide only reasonable and not absolute assurance against material misstatement or loss. During the course of its review of the system of internal control, the board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of actions has not been considered necessary.

Bribery Act 2010

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

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

Shareholder relations

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

The Company seeks to reach a wider audience by the use of its website (www.mothercareplc.com) and, with a view to encouraging full participation of those unable to attend the AGM, provides an opportunity for shareholders to ask questions of their board through the internet at www.mothercareplc.com or by email to investorrelations@mothercare.com. The Company provides electronic voting facilities through www.sharevote.co.uk. Those shareholders who wish to use this facility should review the notes and procedures set out in the Notice of Meeting.

The board and directors

The board of Mothercare plc meets regularly and maintains overall control of the group's affairs through a schedule of matters reserved for its decision. These include setting the group strategy,

Corporate governance continued

the approval of the annual budget and financial statements, major acquisitions and disposals, authority limits for capital and other expenditure and material treasury matters. Details of the terms of reference of the board's committees are set out in the corporate governance section of the Company's website at www.mothercareplc.com.

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

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

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

The board is assisted by committees including the remuneration, audit and nomination committees as set out below. These committees comprised the five non-executive directors with the Chairman additionally serving on the remuneration and nomination committees. A record of the meetings held during the year of the board, its committees and the attendance by individual directors is set out at page 47.

The board has established a disclosure committee which is responsible for the establishment and maintenance of disclosure controls and procedures in the Company (and their evaluation), for the appropriateness of the disclosures made and for compliance with the group's share trading rules. It reports to the board through the Chief Executive.

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

Throughout the period the board has been supplied with information and papers submitted at each board meeting which ensures that the major aspects of the group's affairs are reviewed regularly in accordance with a rolling agenda and programme of work. All directors, whether executive or non-executive, have unrestricted access to the Group General Counsel/ Company Secretary and executives within the group on any matter of concern to them in respect of their duties. In addition, new directors are given appropriate training on appointment to the board (including meetings with principal advisers to the Company) and have a formal induction process which continues following their appointment. Appropriate time is made during the year for continuing training on relevant topics concerning the functioning of the board and the obligations of directors. The Company has undertaken to reimburse legal fees to the directors if circumstances should arise in which it is necessary for them to seek separate, independent, legal advice in furtherance of their duties. In accordance with the UK Corporate Governance Code, from 2013 the board has resolved that all directors should offer themselves for re-election each year.

The board is of the opinion that the directors seeking re-election at the AGM have continued to give effective counsel and commitment to the Company and accordingly should be reappointed. During the year, Richard Rivers as the senior independent director evaluated the performance review of the Chairman, having taken the opinions of the other directors before doing so, and the Chairman and the board together evaluated the performance of the group Chief Executive.

Directors' interests and indemnity arrangements

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

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

Directors' conflicts of interest

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

Committees

The remuneration committee, chaired during the year by David Williams, comprises the Chairman and the non-executive directors. It establishes the remuneration policy generally, approves specific arrangements for the Chairman and the executive directors and reviews and comments upon the proposed arrangements for the executive committee and other senior executives so as to ensure consistency within the overall remuneration policy and group strategy. The terms of reference of the committee are set out on the Company's website. Full disclosure of the Company's remuneration policy and details of the remuneration of each director is set out in the remuneration report on pages 52 to 61 and in the appendices on pages 62 to 66. During the period no director was, and procedures are in place to ensure that no director is, involved in deciding or determining his or her own remuneration.

The nomination committee, chaired by Alan Parker, comprises all of the non-executive directors. The terms of reference of the committee are set out on the Company's website. The committee makes proposals on the size, structure, composition (including diversity) and appointments to the board. It carries out the selection process and agrees the terms of appointment of non-executive directors. An external search agency is ordinarily used to assist in the identification of suitable candidates for board appointments. The nomination committee reviews succession planning of board members and the executive committee on an annual basis. The Company's position on diversity balance is set out earlier in this report.

The audit committee was chaired during the year by Bernard Cragg until 23 November 2012, and by Lee Ginsberg from that date. The remit of the audit committee is to review the scope and issues arising from the audit and matters relating to financial control. It also assists the board in its review of corporate governance and in the presentation of the Company's financial results through its review of the interim and full year accounts before approval by the board, focusing in particular on compliance with accounting principles, changes in accounting practice and major areas of judgement. The full terms of reference are set out under the corporate governance section of the website at www.mothercareplc.com.

The audit committee comprises the five non-executive directors. The Group General Counsel/Company Secretary acts as secretary to the committee. Both Bernard Cragg and Lee Ginsberg are chartered accountants with considerable financial and varied commercial experience.

The committee met three times during the period, with a fourth meeting (deferred from March) taking place in early April 2013. No specific remuneration of the non-executive directors is ascribed to membership of the audit committee other than a supplement of £5,000 per annum paid to Bernard Cragg and Lee Ginsberg pro rated for the period in respect of which they acted as chair of the committee.

Corporate governance continued

The main activities of the audit committee in the 52 weeks ended 30 March 2013

During the period the audit committee has:

- reviewed the financial statements both in the interim report and full year report and accounts, having in both cases received a report from the external auditors on their review and audit of the respective reports and accounts;
- assisted the board in its detailed review of the going concern principle underpinning the results of the group for the period in the light of the Financial Reporting Council's additional guidance on going concern and liquidity risk;
- considered the output of the procedures used to evaluate and mitigate risk within the group;
- reviewed the effectiveness of the group's internal controls and disclosures made in the annual report;
- considered the management letter from the external auditors on their review of the effectiveness of internal control;
- agreed the fees and terms of appointment of the external auditors;
- reviewed both the committee's and the external auditor's effectiveness;
- agreed the work plan of the internal audit function and reviewed the resultant output from that plan; and
- reviewed and assessed the group's compliance with corporate governance principles.

In addition, the audit committee has reviewed the contents of this year's annual report and accounts and advised the board that, in its view, taken as a whole, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy. The audit committee reviews annually the independence of the external audit firm and the individuals carrying out the audit by receiving assurances from, and assessing, the audit firm against best practice principles. The committee seeks to balance the benefits of continuity of audit personnel and the need to assure independence through change of audit personnel by agreeing with the audit firm staff rotation policies. There are no contractual obligations restricting the committee's choice of external auditors.

In any event, the external auditors are required to rotate the audit partner responsible for the audit every five years. This rotation occurred last year and this is the first year the current lead audit partner has been in place.

In addition, a policy in respect of non-audit work by the audit firm is in effect. The general principle is that the audit firm should not be requested to carry out non-audit services on any activity of the Company where they may, in the future, be required to give an audit opinion, and the nature of any non-audit work must be approved by the committee. The committee has assisted the board in the assessment of the adequacy of the resourcing plan for the internal audit function. In respect of the activities of the function, the committee has received reports upon the work carried out and the results of the investigations including management responses, their adequacy and timeliness.

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

As a result of its work during the year, the committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence of the external auditors (by enquiry of them, and reviewing the report issued by the auditors regarding their independence, and the non-audit services provided by the auditors and the safeguards relating thereto). The Company did not pay any non-audit fees to the auditors on a contingent basis (non-audit fees incurred in the year are set in note 7). The chairman of the committee will be available at the AGM to answer any questions on the work of the committee.

Director attendance

Director attendance statistics at meetings for the 52-week period ended 30 March 2013.

		Committee		
Director	Board	Audit	Nomination	Remuneration
Maximum number of meetings	**8**	**3**	**2**	**6**
Alan Parker	8	3	2	6
Bernard Cragg*	4 (5)	3 (3)	1 (1)	4 (4)
Richard Rivers	8	3	2	6
David Williams	6	3	2	5
Amanda Mackenzie	7	3	2	5
Angela Brav*	3 (3)	0 (0)	1 (1)	2 (2)
Lee Ginsberg*	5 (5)	1 (1)	2 (2)	3 (3)
Simon Calver	8	3	2	6
Matt Smith*	0 (0)	0 (0)	0 (0)	0 (0)
Neil Harrington*	2 (2)	1 (1)	0 (0)	1 (1)

* Denotes that the director was appointed or retired/resigned during the year and thus was not eligible to attend all meetings. The numbers in brackets show the maximum number of meetings which could have been attended by those who were not appointed for the full year.

Notes:

- Simon Calver attended meetings of the audit, nomination and remuneration committees upon the invitation of the respective chairmen of those committees.
- Alan Parker attended meetings of the audit committee upon the invitation of the chair of that committee.
- In addition to the board meetings above there were two ad hoc board meetings which approved the interim and full year report and accounts respectively and which were constituted by the board from those members available at that time having considered the views of the whole board beforehand.

Directors' report

The directors present their report on the affairs of the group, together with the financial statements and auditors' report for the 52-week period ended 30 March 2013. The corporate governance statement set out on pages 40 to 47 forms part of this report. The Chairman's statement at page 14 gives further information on the work of the board during the period. The principal activity of the group is as a specialist multi-channel retailer, franchisor and wholesaler of products for mothers-to-be, babies and children under the Mothercare and Early Learning Centre brands.

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

The directors' report is prepared for the members of the Company and should not be relied upon by any other party or for any other purpose. Where the directors' report (including the performance highlights, our group overview, business review, financial review, risks, corporate responsibility report, directors' remuneration report and corporate governance report) contain forward-looking statements these are made by the directors in good faith based on the information available to them at the time of their approval of this report. These statements will not be updated or reported upon further during the year unless the Company is under a legal obligation to do so. Consequently, such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking statements or information.

Business review

The principal companies within the Mothercare group for the period under review were Mothercare plc (the 'Company'); Mothercare UK Limited and Chelsea Stores Holdings Ltd (which own the Mothercare and Early Learning Centre brands respectively). A review of the business strategy and a commentary on the performance of the group is set out in the performance highlights, our group overview, Chairman's statement, the business review and financial review on pages 2 to 29. The principal risks and uncertainties facing the business are detailed in the corporate governance report at page 40 and the section on risks at page 30. These disclosures form part of this report.

The group's use of financial instruments, the risk management objectives and exposures are set out in the notes to the financial statements and the corporate governance report on page 40.

Going concern

The accounts have been prepared under the going concern principle. For full details please see the corporate governance report on page 41.

Dividend

The directors are not recommending the payment of a final dividend for the year and no interim dividend was paid during the year (FY2012: interim dividend 2 pence per share, final dividend nil; total for the year: 2 pence per share).

Shares

As at 22 May 2013, the Company's issued share capital was 88,664,380 ordinary shares of 50p each all carrying voting rights. Details of the change in the Company's issued share capital during the year is set out in note 25. No shares were held in Treasury.

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

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

Substantial shareholdings

As at 30 April 2013, the Company has been advised by or is aware of the following interests above 3% in the Company's ordinary share capital:

Holder	Number of shares	Percentage of issued share capital
M&G Investment Management Ltd	14,187,334	16.00%
FIL Limited / FMR LLC	10,148,676	11.45%
Allianz Global Investors	9,370,317	10.57%
D C Thomson	9,313,522	10.50%
Capital Group Companies Inc	5,248,433	5.92%
Aberdeen Asset Management Group	3,738,146	4.22%
Financiere de L'Echiquier (FR)	3,550,448	4.00%
Aberforth Partners	3,133,141	3.53%

Acquisition of own shares

The Company was given a general approval at the AGM in July 2012 to purchase up to 10 per cent of its shares in the market. This authority expires after the AGM on 18 July 2013. The authority has not been used during the year.

Significant agreements and change of control

The group has entered into one significant agreement in the past year. This is a multi-currency term and revolving facilities agreement dated 11 April 2012 in respect of a £90,000,000 credit facility with Barclays Bank PLC and HSBC Bank PLC for general business purposes. This amended and restated the multi-currency revolving facilities agreement entered into by the group with Barclays Bank PLC and HSBC Bank PLC on 16 May 2011.

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

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

Directors

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

The following directors served during the 52-week period ended 30 March 2013:

Name	Appointment
Alan Parker	Executive Chairman (17 November 2011 to 30 April 2012); chairman and non-executive director from 30 April 2012; chairman of the nomination committee
Angela Brav	Independent non-executive director (from 1 January 2013)
Simon Calver	Executive director (from 30 April 2012)
Bernard Cragg	Senior independent non-executive director until 23 November 2012 and chairman of the audit committee until 23 November 2012
Lee Ginsberg	Independent non-executive director (from 2 July 2012) and chairman of the audit committee from 23 November 2012
Neil Harrington	Executive director (until 20 July 2012)
Amanda Mackenzie	Independent non-executive director
Richard Rivers	Independent non-executive director and Senior Independent Director with effect from 23 November 2012
Matt Smith	Executive director (from 25 March 2013)
David Williams	Independent non-executive director and chairman of the remuneration committee (due to retire on 31 May 2013)

In accordance with the requirement of the UK Corporate Governance Code for FTSE 350 companies, at the Annual General Meeting of the Company in July 2013 all the directors currently appointed shall retire and offer themselves for re-election.

Details of directors' service arrangements are set out in the remuneration report on page 58.

A statement of directors' interests in the shares of Mothercare plc and of their remuneration is set out on pages 60 and 63 respectively. A statement of directors' interests in contracts and indemnity arrangements is set out on page 44.

Employees

The Company involves all of its employees in the delivery of its strategy. It regularly discusses with all its employees its corporate objectives and performance, as well as the economic environments in which the Company trades through its business sectors. This is achieved through the Company employee website 'Small Talk', regular briefings by the Chief Executive and other executive committee members, bulletins, email and video presentations.

The Company aspires to develop a loyal and high performing team through the development of its culture and values. As part of this development process it measures the capabilities of the group's employees, ascertains their development needs and develops and implements programmes designed to ensure that the critical skills required for the development of both the individual and the group are attained.

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

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

During the year under review, it became necessary to carry out a consultation process affecting certain roles at the Company's head office in Watford and to make redundancies in some of its overseas offices. A further organisation review is underway resulting in another consultation process at the Watford office and the Company has engaged with those employees affected. The Company recognises the impact of such processes on its employees and each process was carried out thoroughly and professionally, and in compliance with relevant laws and regulations.

In FY2012/13, following a period of consultation with the membership, the Company closed its two defined benefit pension schemes, the Mothercare Staff Pension Scheme and the Mothercare Executive Pension Schemes, to future accrual from 31 March 2013. Details of the pension charge are set out in note 29.

A new defined contribution scheme, the Legal & General WorkSave Mastertrust, was made available to all employees from 31 March 2013 and is the designated scheme for auto-enrolment of workers from 1 May 2013 (the 'auto-enrolment staging date' for the Mothercare group). The two existing Stakeholder schemes were closed to future contributions from 31 March 2013.

Payment of suppliers

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

The amount owed to trade creditors at the end of the financial year represented nil days (2012: nil days) of average daily purchases during the year for the Company and 57 days (2012: 53 days) for the group.

Fixed assets

Changes in tangible fixed assets are shown in note 16 to the accounts. A valuation of the group's freehold and long leasehold properties, excluding rack rented properties, was carried out by external valuers, as at December 2009. The basis of the valuation is Existing Use Value in respect of properties primarily occupied by the group and on the basis of Market Value in respect of investment properties, both bases being in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Manual. A further internal valuation of the freehold properties was carried out as at April 2012 on the same basis. This adjusted valuation of the freehold properties resulted in a surplus over their net book value of £2,269,413.

Corporate citizenship

The group's corporate responsibility ethos and details of the programmes that it runs in its business relationships around the world are set out on pages 33 to 37. During the year, the group reissued its Global Code of Conduct to all its office employees, both in the UK and overseas, and obtained certificates of compliance from its employees.

Global Code of Conduct – key themes:

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

Auditors

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

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware; and
- each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 (2) of the Companies Act 2006.

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

Charitable and political donations

The Company made no donations during the year to the Mothercare Group Foundation. Total cash charitable donations made by the Mothercare Group Foundation for the year ended 30 March 2013 were £30,000 (2012: £32,324).

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

Post balance sheet events

Post balance sheet events are disclosed in note 31.

Annual General Meeting

The 2013 Annual General Meeting will be held on Thursday, 18 July 2013 at 3.00pm in the conference suite at the Company's head office at Cherry Tree Road, Watford, Hertfordshire WD24 6SH.

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

Shareholders may also submit questions via email to investorrelations@mothercare.com. The Chairman will respond in writing to questions received.

As in previous years a copy of the Chairman's opening statement to the meeting, together with a resumé of questions and answers given at the meeting, will be prepared following the AGM. This will be made available to shareholders on request to the Group General Counsel/Company Secretary at the Company's head office.

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

By order of the Board

Tim Ashby
Group General Counsel and Company Secretary
22 May 2013

Remuneration report

"The Company now has a new and powerful remuneration framework that will underpin its future growth."

David Williams
Remuneration Committee Chairman

Remuneration Committee Chairman's statement

In last year's annual report we announced the details of our three-year Transformation and Growth plan which addressed the challenges faced by the group following a significant reduction in its profitability the previous year. Our performance against this plan is set out elsewhere in this annual report.

Since his arrival as CEO, Simon Calver has made significant changes to his executive committee and senior management and has recruited the team that will deliver the targets set out in the plan. The remuneration committee has worked closely with Simon Calver as he assembled this team to ensure that the remuneration arrangements are in line with its remuneration policy.

I said last year that the change in the Company's financial position, the considerable changes required at executive committee level, and the current environment surrounding executive remuneration, meant that it was the right time to reassess and put in place a new remuneration policy.

During the year we proposed a new long term incentive plan (LTIP) which was radically different from the previous schemes. Performance would be linked much more directly to the Company's performance and would incorporate far more stretching targets before payments are received, and reduce materially the total amount that could be received under the schemes. Most importantly, any new policy would reflect Mothercare's plans under the Transformation and Growth plan.

We consulted widely with shareholders in the development of the new LTIP, following which we made a number of alterations to the scheme before putting it to all shareholders for approval. We held a general meeting in December 2012, at which the new long term incentive plan was put to shareholders. I am delighted to say that we received support from approximately 87% of the shares voted (which in turn represented about 75% of the share capital of the Company). For the first awards, the performance targets relate to share price and group profit before tax at the end of the three-year performance period which expires at the end of March 2015.

We believe that to attract and retain the best talent, and to foster the long term growth and success of any business in the right way, it is critical that there should be a clear remuneration strategy that is attractive both to shareholders and to the group's management and its employees.

We now have such a strategy supporting Mothercare's aspirations for the foreseeable future and specifically to deliver the Transformation and Growth plan.

This is my last year as Chairman of the Remuneration Committee. I have been a director of Mothercare plc now for nine years and I am retiring at the end of May 2013. With the new LTIP and short term incentive plan structure, the Company now has a new and powerful remuneration framework that will underpin its growth in the future, and allow Simon Calver to deliver results.

Last year we received strong support from shareholders for the remuneration report at the general meeting with 94% of proxy votes cast in favour. We look forward to receiving your endorsement of this year's remuneration report at the Annual General Meeting.

David Williams
Chairman, Remuneration Committee

Introduction and remuneration policy statement

Our remuneration policy is to provide competitive remuneration packages that will help recruit, retain and motivate executives of the required calibre to meet the group's strategic objectives. We aim to ensure that the policy is appropriate to the group's needs and rewards executives and senior management for achieving relevant performance criteria. The committee monitors the group's compliance with the UK Corporate Governance Code provisions and institutional investor guidelines for directors' remuneration.

The most important development during the year was the introduction of the new long term incentive plan which was approved by shareholders at general meeting in December 2012. The committee consulted with shareholders as part of this process, and made a number of alterations to the scheme before putting it to all shareholders for approval. At the general meeting, the Company received support from approximately 87 per cent of the shares voted (which in turn represented about 75 per cent of the share capital of the Company). In relation to the first awards, the performance targets relate to share price and group profit before tax at the end of the three-year performance period which expires at the end of March 2015.

The revised LTIP will be applied to support the Company's progress against the Transformation and Growth plan in such a way that:

- Executive directors and senior employees will be given the opportunity to earn highly competitive levels of reward for exceptional delivery of the Transformation and Growth plan over the medium to long term, subject to the proviso that excessive or undeserved remuneration should not be paid.
- The Company is able to attract and retain talent of an appropriate calibre to execute the business strategy in a highly challenging environment, and reflecting the future aspirations of the Company.
- The performance metrics are closely aligned to the Company's strategic objectives and the targets chosen will represent an accurate measure of performance against the success of meeting the objectives.

This report will address both the policy applicable to the coming year and plans that have been in place during the year under review.

The remuneration report

This report to shareholders has been prepared in accordance with the Companies Act 2006 (the Act), and the relevant regulations relating to directors' remuneration, the requirements of the Listing Rules of the UK Listing Authority and the UK Corporate Governance Code 2010. At the Annual General Meeting on 18 July 2013 shareholders will be asked to approve this report. The Company is aware that changes have been proposed by the Department for Business, Innovation and Skills in terms of the construct of, and disclosures to be included in, remuneration reports. Whilst these changes will apply to the Company's 2014 remuneration report, rather than this current report, the Company is committed to the principle of transparency in remuneration disclosure and regard has been given to the spirit of the draft regulations in preparing this report.

The relevant sections of the Act and regulations require the auditors to report on certain elements of this report and to state whether in their opinion these elements have been properly prepared in accordance with the Act.

The audited elements include directors' share options, the PSP and EIP awards (including that set out in Appendix A on pages 62 to 66), LTIP awards, emoluments and compensation payments as set out in Table 1A and pension arrangements set out in Table 2 of Appendix A.

The remuneration committee

Composition of the remuneration committee

The remuneration committee comprises the independent non-executive directors and the Chairman of the Mothercare plc board (who, in the view of the directors, was deemed to be independent upon appointment). David Williams was chairman of the committee during the year. The other committee members during the year were:

Angela Brav (from 1 January 2013)
Bernard Cragg (until 31 December 2012)
Lee Ginsberg (from 2 July 2012)
Amanda Mackenzie
Richard Rivers

It should be noted that David Williams is retiring as a non-executive director of the Company on 31 May 2013 and will retire as chairman of the remuneration committee on the same date. Richard Rivers will act as the interim chair of the remuneration committee pending the arrival of Imelda Walsh as the new non-executive director to assume the role. Also, the board has agreed in principle to establish a remuneration committee which comprises some but not all the non-executive members of the board and this will be put in place during FY2013/14.

Remuneration report continued

The committee's principal duty is the determination of the remuneration for the executive directors, approval of the pay and benefits of the members of the executive committee and oversight of remuneration policy for senior management below executive director and executive committee members, to ensure that such remuneration is consistent with the delivery of the business strategy and value creation for shareholders. The committee met six times during the year, and each member's attendance at these meetings is set out on page 47 of the corporate governance report. The committee's detailed terms of reference are available on the Mothercare website at www.mothercareplc.com.

Advisers to the remuneration committee

The committee retained certain external organisations to assist them in their work during the year. The committee has also consulted the Chief Executive, Group People Director and Group General Counsel/ Company Secretary as appropriate. No executive was present for discussions of their own remuneration.

As at 30 March 2013, the committee's advisers were:

Person or organisation	Services provided
PricewaterhouseCoopers LLP (PwC)	Advice on the new incentive schemes, executive remuneration and remuneration benchmarking
Lane Clark & Peacock LLP	Pensions advice
DLA Piper LLP	Legal services principally in respect of employment contracts

All the advisers are considered to be independent.

Lane Clark & Peacock LLP does not provide any other services to the Company and does not have any other connections with the Company. DLA Piper LLP provides general legal advice to the group, and PwC LLP provides certain other advice and non-audit services to the group. PwC is a member of the Remuneration Consultants Group and adheres to the voluntary Code of Practice in relation to the advice it provides to the committee.

Directors' remuneration

Non-executive directors: The remuneration of the non-executive directors comprises fixed annual fees. Expenses incurred on group business are reimbursed when claimed in accordance with the group's business expenses policy. Non-executive director fees are reviewed periodically and set at levels to reflect the time commitment and responsibilities of the non-executive directors. The fees of the non-executive directors are determined by the Chairman and executive directors on behalf of the board. There were no changes to the non-executive fees during the year. The non-executive directors do not participate in the group pension, annual bonus plan or any long term incentive scheme. The Chairman's remuneration is determined by the remuneration committee without the Chairman present.

Executive directors: The executive directors' fixed annual remuneration comprises a base salary, which is normally reviewed in April each year, and benefits. The variable elements of remuneration will be delivered through a short term incentive plan and a long term incentive plan. All elements of the variable remuneration are, and will continue to be, assessed against both financial and non-financial performance criteria. As noted already in this report, there have been significant changes to the structure of both the short and long term incentive plans over the past year, which have been coupled with the arrival of Simon Calver and Matt Smith as the CEO and CFO respectively.

Remuneration

The table below summarises the key elements of the remuneration package applicable to the executive directors. It describes the applicable policy as well as how that policy was implemented during 2012/13. To the extent that any changes in implementation of the policy will be made in 2013/14, this is also noted:

Component	Policy	Operation in 2012/13
Salary	Level fixed annually by remuneration committee taking into account number of factors: ■ Individual performance and potential ■ Median rate paid by retailer led comparator group ■ Pay elsewhere in the group ■ Advice from remuneration consultants	Both executive directors joined the group during the year. Their annual salary levels are: ■ Simon Calver £500,000 ■ Matt Smith £325,000
Pension contribution	To provide a competitive retirement benefit. Base salary is the only element of remuneration used to determine pensionable earnings	For 2012/13: ■ Simon Calver – 15% base salary ■ Matt Smith – 15% base salary
STIP/annual bonus	The STIP applies to all non-store employees Incorporates both financial (75%) and strategic (25%) measures aligned to the Transformation and Growth plan Payment under the STIP is subject to an overriding financial measure based on the Company's net quarterly cash/debt position to ensure that payments are not made where the underlying financial position of the Company does not support it Simon Calver can earn up to 125% of base salary and Matt Smith can earn up to 100% of base salary for achievement of annual performance metrics For executive directors and members of the executive committee, 30% of any payment earned will be deferred into shares in the Company for 3 years and subject to a risk of forfeiture in the case of resignation during this period, and to claw back in exceptional circumstances (such as financial misstatement)	For 2012/13: ■ 75% of the bonus is based on internal financial measures ■ 25% of the bonus is based on strategic measures such as customer satisfaction survey results ■ a bonus payment of 11% of bonusable salary was approved by the Remuneration Committee and paid to the executive committee, senior management and non-store employees of the Company ■ This resulted in a payment to Simon Calver of £68,750 (of which £20,625 is deferred into shares). Matt Smith (who joined on 25 March 2013) received no bonus for the year

Remuneration report continued

Component	Policy	Operation in 2012/13
LTIP	A mechanism to attract, retain and motivate executive directors and other senior management over the long term	Performance conditions for 2012/13 LTIP: Participants in the LTIP will earn up to 50% of the award if the share price reaches the targets shown in the table below

Policy

A mechanism to attract, retain and motivate executive directors and other senior management over the long term

Annual awards to be granted under the LTIP

Initial award:

- Simon Calver – 300% base salary
- Matt Smith – 200% base salary

Ongoing award levels:

Level	% of Salary
CEO	200%
CFO	175%
Executive Committee	150%
Senior Executives	55%
Key Employees	40%

Stretching corporate performance metrics over the 3 year performance period ending on 28 March 2015 which supports the execution of the Transformation and Growth plan

Vesting:

- 50% after 3 years
- 50% after 4 years
- conditional upon the executive building up a minimum shareholding requirement, failing which the vesting level will be reduced

Operation in 2012/13

Performance conditions for 2012/13 LTIP: Participants in the LTIP will earn up to 50% of the award if the share price reaches the targets shown in the table below

It will earn up to 50% of the award if the 2014/15 group profit before tax reaches the targets shown in the table below:

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

In addition, the UK business must break even in the financial year ending on 28 March 2015 or 27 March 2016

The share price and group profit before tax elements will be measured independently

2012/13 LTIP Grants:

- Simon Calver 778,816 shares
- Matt Smith 224,991 shares

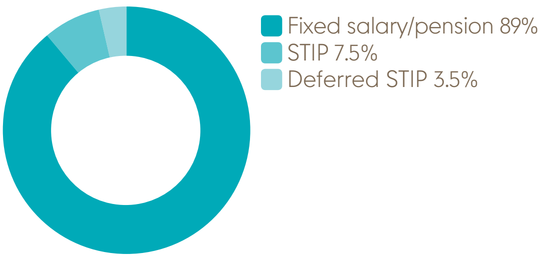
These shares will vest to the extent that the performance conditions and shareholding requirements are met, and the other conditions of the award are achieved

Total compensation to executive directors

Details of the remuneration received by the executive directors in 2012/13 is set out in Appendix A to this remuneration report. In 2012/13, Simon Calver received approximately 89 per cent of his remuneration as fixed salary and pension contribution and approximately 11 per cent (of which 30 per cent is deferred) as variable salary; Matt Smith (who joined on 25 March 2013) received 100% of his remuneration as fixed salary.

The Company did not make any payments or grant any awards during the year to compensate Simon Calver for any loss of benefits that he may have received at his previous employment. However, the Company agreed to compensate Matt Smith for an amount equal to the value of the bonus he would have received from his former employer in his final year of employment. A payment of £255,000 will be made in FY2013/14 (of which 30 per cent will be deferred into nil cost share options which vest after three years subject to the conditions of the STIP scheme). This payment is subject to a clawback provision which will be repaid by Matt Smith on a pro rata basis if he leaves the Company within two years.

Simon Calver
Total compensation



Matt Smith
Total compensation

Short-term incentive plan (STIP)
Under the STIP:

- The maximum bonus potential for the CEO is 125 per cent of salary and for the CFO (and other members of the executive committee) is 100 per cent of salary; the maximum bonus potential for other members of the Company above store level range from 5 per cent to 50 per cent of salary.
- The performance metrics are aligned to the Company's Transformation and Growth plan and include both financial and strategic measures (weighting 75 per cent financial; 25 per cent strategic). Strategic measures include such measures as customer satisfaction surveys.
- Payment under the STIP during the year was subject to an overriding financial measure based on the Company's net quarterly cash/debt position so that STIP payments would not be paid where the underlying financial position of the Company does not support it.
- For the executive directors and other members of the executive committee, 30 per cent of any STIP payment earned will be deferred into shares in the Company

for a three-year period. These shares will be forfeited by any member of the executive committee who resigns during the deferral period. By paying a significant portion of any STIP in shares, executives focus on long term value creation and the degree of alignment with shareholders will be increased.

- During the deferral period, in line with best practice, the shares are subject to clawback in exceptional circumstances, such as financial misstatement.

In order for the STIP to pay out in full, the Company must achieve stretch targets for each of the performance measures. In FY2012/13, the Company did not achieve in full its internal targets, but it did meet the measures in part and accordingly a 11 per cent bonus was approved by the remuneration committee.

Long term incentive plan (LTIP)

Last year the Company introduced a new LTIP as a recognisable and competitive reward structure with which to attract, retain and motivate the executive committee and senior management, and this was approved by shareholders in general meeting in December 2012. The scheme comprises an annual award of nil-cost options which vest based on the achievement of stretching corporate performance metrics supporting the execution of the Transformation and Growth plan. The vesting of share awards is conditional upon the achievement of the performance conditions, a minimum shareholding requirement being met by members of the executive committee and sustainable corporate performance over the longer term. All awards under the LTIP will be settled in shares. The Remuneration Committee has the power to reduce the vesting levels of awards in certain circumstances.

In the first year of the award, the maximum award granted to Simon Calver was 300 per cent of salary, and to Matt Smith 200 per cent of salary. Both of these awards were considered necessary in order for the Company to recruit these two key executive directors. Matt Smith's award is pro rated to reflect his joining date as a percentage of the three-year performance period. The following table sets out the proposed award levels for subsequent years:

Level	% of Salary
CEO	200%
CFO	175%
Executive Committee	150%
Senior Executives	55%
Key Employees	40%

Performance conditions: Participants in the FY2012/13 LTIP will earn up to 50 per cent of the award if the share price reaches the targets shown in the table below, and will earn up to 50 per cent of the award if the FY2014/15 group profit before tax reaches the targets shown in the table below:

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

In addition, the UK business must break even in the financial year ending on 28 March 2015 or 27 March 2016

The share price and group profit before tax elements will be measured independently.

Vesting of awards for the CEO, CFO and Executive Committee members is conditional upon the executive building up a minimum shareholding requirement within three years from the commencement of the scheme (100 per cent of salary for the CEO, 50 per cent for CFO, and 25 per cent for executive committee members). Where shareholding requirements are not met, then the vesting level will be reduced. For full vesting, the shareholding requirement must be met in full.

The Executive Share Option Scheme (ESOS)

The Mothercare plc 2000 Share Option Plan

Under the rules of the Mothercare 2000 Share Option Plan no further options can be granted.

Service contracts and payments on termination

Non-executive directors

Non-executive directors receive a fee of £50,000 per annum. Additional fees are paid to the Senior Independent Director and chairs of the audit and remuneration committee as detailed in the table opposite.

Alan Parker is entitled to six months' salary on termination by the Company of his service agreement dated 2 August 2011. Angela Brav, Lee Ginsberg, Amanda Mackenzie, Richard Rivers and David Williams have service agreements with the Company that may be terminated upon one month's notice.

As at 30 March 2013, the annual salary/fees payable to the Chairman and the non-executive directors are as follows:

Name	Start Date	Notice Period	Fees per annum (at 30 March 2013)
Alan Parker	2 August 2011	6 months	£200,000
Angela Brav	1 January 2013	1 month	£50,000
Lee Ginsberg	2 July 2012	1 month	£55,000 (note 1)
Amanda Mackenzie	1 January 2011	1 month	£50,000
Richard Rivers	27 May 2008	1 month	£55,000 (note 2)
David Williams	2 July 2004	1 month	£55,000 (note 3)

Notes:
1 Lee Ginsberg receives a supplement of £5,000 per annum as Chair of the Audit Committee.
2 Richard Rivers receives a supplement of £5,000 per annum as Senior Independent Director.
3 David Williams receives a supplement of £5,000 per annum as Chair of the Remuneration Committee.

As an inducement for Alan Parker to become Chairman and related to his service agreement, the Company agreed to implement a share matching scheme under which it would match the shares purchased by Alan Parker on a 1:1 basis (up to a maximum value of £200,000). The Chairman purchased shares to the maximum value and the Company granted 60,000 options with a nominal exercise price which vest in August 2014 subject to certain performance criteria being met. For the grant to vest in full, the Company total shareholder return (TSR) over the three-year performance period must be greater than or equal to the total shareholder return of the FTSE 250 (excluding certain mining and investment companies) plus 50 per cent. If the Company's performance is below the TSR index, the award will not vest. The Chairman must retain his shareholding for the performance period. As reported last year, the Company agreed to an extension of this share matching arrangement awarded to the Chairman on his appointment as Executive Chairman, a position held on an interim basis until the appointment of Simon Calver as CEO. The Company agreed to match additional investment in the Company by Alan Parker on a 0.35:1 (Company/Alan Parker) basis (up to a maximum further investment of £400,000). The vesting of this additional match is subject to the same performance criteria as the initial share matching scheme and the award will not vest if the performance criteria are not satisfied. This plan was approved by 83 per cent of proxy votes cast by shareholders at the Company's Annual General Meeting in July 2012.

Executive directors

Simon Calver was appointed as CEO with effect from 30 April 2012; Matt Smith was appointed as CFO with effect from 25 March 2013. Executive directors' service contracts are rolling contracts that require 12 months' notice by either the Company or executive to terminate the contract. In the case of termination, the service contracts provide for payment in lieu of notice and include mitigation provisions that apply to the executive director.

In July 2012, Neil Harrington left the Company having resigned as a director. Details of the emoluments earned by Neil Harrington are set out in the Appendices to this report on pages 62 to 66. Neil Harrington received no payment following his resignation and any unvested share awards lapsed.

External appointments and other commitments of the directors

The other business commitments of the directors are set out within their biographical details on page 38. An executive director may take one external appointment as a non-executive director, subject to the approval of the board. The director may retain any fees from such a role. Currently, neither Simon Calver nor Matt Smith are non-executive directors with another organisation.

Pension arrangements

The committee regularly reviews the financial impact to the Company of pension provision. Given the regulatory changes in October 2012 a further review of the effect of these changes on the Company pension schemes was carried out.

In FY2011/12, in order to control the cost of pensions, the group agreed with the Trustees of the Executive Pension Scheme the introduction of a capped accrual section which limited annual accrual in excess of CPI inflation to £3,125 per annum and agreed with the individuals affected to pay a salary supplement of up to £16,000 per annum to compensate for their reduced accrual.

In FY2012/13, following a period of consultation with the membership, the Company closed its two defined benefit pension schemes, the Mothercare Staff Pension Scheme and the Mothercare Executive Pension

Schemes, to future accrual from 31 March 2013. Details of the pension charge are set out in note 29.

A new defined contribution scheme, the Legal & General WorkSave Mastertrust, was made available to all employees from 31 March 2013 and is the designated scheme for auto-enrolment of workers from 1 May 2013 (the 'auto-enrolment staging date' for the Mothercare group). The two existing Stakeholder schemes were closed to future contributions from 31 March 2013.

Those directors and senior executives subject to the earnings cap and who participated in the FURBS arrangements now receive a cash salary supplement equivalent to the former FURBS payment, for investment in an investment vehicle of their own choice. Further pension detail is given in Table 2 of Appendix A on page 63. This information is still relevant because Neil Harrington was a director during the year.

Simon Calver and Matt Smith receive 15 per cent of their base salary as a pension contribution from the Company which is paid into a personal pension plan. They do not participate in any FURBS arrangements.

For further details of the pension provision within the group during the year, see the directors' report on page 50.

For further details on the cost of pensions to the group, including the statements required by IAS 19, see note 29.

Emoluments and compensation payments

The emoluments (including pension contributions) for executive directors for the year ended 30 March 2013 and the salaries paid to the management level below the board are set out in Tables 1A and 1B of Appendix A on pages 62 and 63.

Shareholding guidelines

Executive directors are expected to build up a shareholding in the Company, and this is reflected in the terms of the LTIP. After three years, the CEO and CFO (as the executive directors) should hold a shareholding equal to 100 per cent and 50 per cent of their basic salaries respectively (rising to 150 per cent and 100 per cent respectively thereafter). Shares can be purchased directly or through a nominee. Also under the proposed terms of the short-term incentive plan outlined above, 30 per cent of any payments would be deferred in shares for a three-year period and would count towards this shareholding obligation at their net of tax value. The deferred shares are subject to clawback and risk of forfeiture.

Details of the shares held by the directors as at 30 March 2013 are provided later in this report.

Beneficial interests of the directors

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

	Interest held at 30 March 2013 (number)	Interest held at 31 March 2012 (or date of appointment if later) (number)
Alan Parker	232,554	210,400
Richard Rivers	29,000	29,000
David Williams	71,300	71,300
Amanda Mackenzie	25,760	25,760
Simon Calver	188,310	–
Matt Smith	0	–
Lee Ginsberg	0	–
Angela Brav	0	–

Tim Ashby and David Williams are shareholders and directors of Mothercare Employees' Share Trustee Limited, which held 3,151 Mothercare shares in trust on 30 March 2013 (31 March 2012: 3,151 shares). A separate trust, The Mothercare Employee Trust, held 105,346 shares on 30 March 2013 (31 March 2012: 440,394 shares).

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

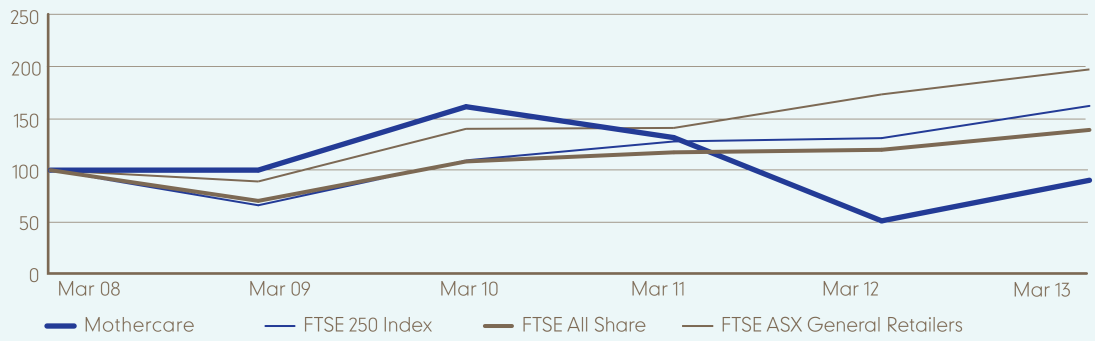
There have been no movements in directors' interests, beneficial or non-beneficial, between 30 March 2013 and 22 May 2013.

Performance graph

The performance graph below shows the group's TSR against the return achieved by the FTSE250 index. Mothercare plc entered the FTSE250 on 30 June 2008, but returned to the FTSE SmallCap Index on 19 December 2011. The performance graph below shows performance against the FTSE250 Index and the FTSE All Share General Retailers Index. The graph shows the five financial years to 30 March 2013.

The indices were chosen on the basis that Mothercare was a constituent of both the FTSE250 and FTSE General Retailers indices. The group's performance against the FTSE All Share General Retailers Index determines the level of vesting of awards under the Executive Incentive Plan.

TSR performance over the last five years (rebased to 100)



Source: Datastream

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

David Williams
Chairman, Remuneration Committee

Appendix to the Remuneration report

Appendix A
Table 1A
Directors' emoluments

Total emoluments (including pension contributions) in the 52 weeks ended 30 March 2013 were £1,613,000 (2012: £7,460,000).

	Salary/fees £000		Performance bonus £000		Benefits £000		Incentive Schemes' vesting £000		Compensation for loss of office £000		Total remuneration (excl. pensions)		Pension contributions £000	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Executive Directors														
Alan Parker[(i)]	251	272	–	–	–	–	–	–	–	–	251	272	–	–
Simon Calver[(ii)]	462	–	48	–	1	–	–	–	–	–	511	–	69	–
Matt Smith[(iii)]	6	–	–	–	–	–	–	–	–	–	185	–	1	–
Neil Harrington[(v)]	96	265	–	–	4	12	206	1,411	–	–	306	1,688	17	34
Ben Gordon[(iv)]	–	380	–	–	–	9	–	3,968	–	658	–	5,015	–	23
Ian Peacock	–	108	–	–	–	–	–	–	–	–	–	108	–	–
Non-executive directors														
Angela Brav	13	–	–	–	–	–	–	–	–	–	13	–	–	–
Bernard Cragg	45	60	–	–	–	–	–	–	–	–	45	60	–	–
Lee Ginsberg	43	–	–	–	–	–	–	–	–	–	43	–	–	–
Amanda Mackenzie	50	50	–	–	–	–	–	–	–	–	50	50	–	–
Richard Rivers	50	50	–	–	–	–	–	–	–	–	50	50	–	–
David Williams	55	55	–	–	–	–	–	–	–	–	55	55	–	–

Note: Benefits typically include a company car, medical insurance and other similar benefits.

(i) Alan Parker was Non-Executive Chairman from 15 August 2011 to 17 November 2011 with a fee of £200,000 per annum. From 18 November 2011 he assumed the role of Executive Chairman with a fee of £600,000 per annum. On 30 April 2012 Alan Parker reverted to the role of Non-Executive Chairman and his fee reverted back to £200,000 per annum.

(ii) In addition to the bonus paid to Simon Calver set out above, a further amount of £20,625 (representing 30 per cent of the total bonus of £68,750 to be paid to Simon Calver) was deferred into nil cost share options which vest after three years subject to the conditions of the STIP scheme.

(iii) Included within his total remuneration, Matt Smith will receive a payment of £178,500 as compensation for the value of the bonus he would have received from his former employer in his final year of employment. A further amount of £76,500 (representing 30 per cent of the total compensation of £255,000) will be deferred into nil cost share options which vest after three years subject to the conditions of the STIP scheme.

(iv) Ben Gordon resigned as Chief Executive with effect from 17 November 2011. Ben Gordon's salary was £600,000 per annum and the amount in the table shows the salary payable in FY12 up to the date of his resignation, together with the amount paid by way of compensation for loss of office. In addition to the pension contribution set out above in FY12, a sum of £63,810 was paid to Ben Gordon for the 53 weeks ended 31 March 2012 as a salary supplement following the discontinuance of the FURBS scheme. Ben Gordon's Incentive Scheme Vesting in FY12 includes £441,000 relating to early vesting as a result of his resignation.

(v) In addition to the pension contributions for Neil Harrington set out above, a sum of £16,510 is paid for the 52 weeks ended 30 March 2013 and £40,854 was paid to Neil Harrington for the 53 weeks ended 31 March 2012 as an employer contribution directly to a SIPP following the discontinuance of the FURBS scheme. Included within this payment is an amount paid as a supplement of £16,000 per annum given in return for voluntarily capping the pension accrual at £140,625.

Table 1B
Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	2013 £000	2012 £000
Emoluments	**1,303**	1,261
Compensation for loss of office	**0**	658
Amounts receivable under long term incentive schemes	**206**	5,379
Money Purchase pension contributions	**104**	162
Total	**1,613**	7,460

Table 1C

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

Salary Band	2013	2012
250,001 – 300,000	**0**	0
200,001 – 250,000	**3**	2
150,001 – 200,000	**3**	2
100,000 – 150,000	**0**	0
50,001 – 100,000	**0**	0
0 – 50,000	**0**	0

Table 2
Pensions

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

	Defined benefits for Final Salary Scheme (£000)									Money Purchase
	Accrued benefits in Mothercare Executive Pension scheme					Transfer Value as at *				Group contributions
	At 31 March 2012	Change during year	As at 30 March 2013	Change during year net of inflation	Transfer value of change in year net of inflation	31 March 2012	Change during year	Director contributions	30 March 2013	
Neil Harrington	24.7	1.8	26.5	1.3	44.7	309	51	0	360	16.6

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

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

Appendix to the Remuneration report continued

Performance Share Plan

Conditional awards held by executive directors under the PSP are as follows:

Director	31 March 2012 (number)	Granted during year (number)	(Lapsed) during year (number)	Grant date	Lapse date	Vested during year (number)	Gains on exercise 2013 £	30 March 2013 (number)
Neil Harrington	38,278	–	(38,278)	25 May 2010	20 July 2012	–	–	–
	44,831	–	(44,831)	24 May 2011	20 July 2012	–	–	–
Total	83,109	–	(83,109)			–	–	–

Note:
1 The above awards were granted as nil-cost options.
2 Neil Harrington left the Company on 20 July 2012.

Executive Incentive Plan

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

	% of surplus value to which participant entitled
Surplus Value	Neil Harrington
£0m to £50m	0.4%
£50m to £75m	0.6%[1]
Over £75m	0.8%[2]

Note:
1 Percentage applies only on up to £25m of surplus value created above £50m.
2 Percentage applies only on surplus value created in excess of £75m.

EIP cash determinations made during the year

The 2010 Cycle did not vest as the performance conditions were not met during the reference period ending 30 March 2013.

2008 Cycle: Total Surplus Value created £128.98 million.

Name	Vesting date	Cash amount paid £	Deferred shares vested (number)	Reference share price
Neil Harrington[1]	6 June 2012	192,850	91,290	211.25

1 The 2008 Cycle vested in 2011 and the details of the award were disclosed in last year's annual report. In accordance with the scheme rules, 50 per cent of the award was deferred into shares which vested on 6 June 2012. The table above sets out the value of the deferred shares which were sold by Neil Harrington on 7 June 2012.

LTIP

Conditional awards held by executive directors under the LTIP are as follows:

Director	31 March 2012 (number)	Granted during year (number)	(Lapsed) during year (number)	Grant date	Vesting / (lapse) date	Vested during year (number)	Gains on exercise 2013 £	30 March 2013 (number)
Simon Calver	–	778,816	–	11 March 2013	31 March 2015	–	–	778,816
Matt Smith	–	224,991	–	25 March 2013	31 March 2015	–	–	224,991
Total	–	1,003,807	–			–	–	1,003,807

The above awards were granted as nil-cost options.

Directors' share matching award

Director	31 March 2012 Number of shares	Granted	Grant date	Vest date	30 March 2013 Number of shares
Alan Parker	60,000	60,000[1]	2 August 2011	1 August 2014	60,000
	54,997	54,997[2]	17 November 2011	16 November 2014	54,997

Notes:

1 During FY2012 the Chairman was granted 60,000 performance-related share options with a nominal exercise price. As a condition of this award the Chairman was required to purchase and hold shares in the Company over the vesting period for a value of £0.2m. At 30 March 2013 the Chairman had purchased the required value of shares.

2 Upon assuming the role of Executive Chairman in FY2012, the Chairman was granted 54,997 performance-related share options with a nominal exercise price. As a condition of this award the Chairman was required to purchase and hold shares in the Company over the vesting period for a value of £0.4m. At 30 March 2013 the Chairman had purchased £0.3m of shares in the Company.

Appendix to the Remuneration report continued

Appendix B

Neil Harrington resigned as Group Finance Director and left the Company on 20 July 2012. Consequently, this report contains the following information regarding the Performance Share Plan and Executive Incentive Plan which were approved by shareholders in 2006 as Neil Harrington was a participant during the year. The current executive directors have not been granted awards under the PSP or EIP. Following Neil Harrington's resignation, any unvested awards due to him under the PSP or EIP schemes have lapsed. Details of historical awards held by Neil Harrington are set out in Appendix A on page 64.

(a) The Performance Share Plan (PSP)

The group's performance share plan was approved by shareholders in 2006. Under the PSP, conditional awards of shares of up to 100 per cent of salary (in exceptional circumstances, 200 per cent of salary) are made to selected executives, as determined by the remuneration committee each year. Conditional awards were made to the wider executive team through awards made in May and November. Vesting of shares to an individual is conditional upon the achievement of the cumulative three-year growth in group PBT. 20 per cent of an award vests if Mothercare's three-year PBT growth is 5 per cent per annum and 100 per cent of an award will vest if Mothercare's three-year PBT per share growth is at least 15 per cent each year, with straight-line vesting in between. Dividends accrue and are paid on shares that vest. If the performance threshold of 5 per cent per annum PBT per share growth is not met the award lapses.

For the three-year performance period to 30 March 2013, Mothercare's profit before tax decreased. Accordingly, the awards granted in FY2009/10 did not vest.

(b) The Executive Incentive Plan (EIP)

The group's executive incentive plan was approved by shareholders in 2006. Under the EIP, selected senior executives are eligible to receive a percentage of 'surplus value created' over a three-year performance period. 'Surplus value created' is defined as group TSR outperformance of the FTSE All-Share General Retailers Index (Index) multiplied by the average market capitalisation of the group over the three-month period immediately prior to the start of the financial year in which the grant date falls. The committee believed this relative TSR performance condition provided alignment with shareholders' long term interests, as well as supporting the motivation and retention of the management team.

No EIP Awards vested in relation to the performance ended 30 March 2013.

Pension

Neil Harrington was a member of the Mothercare Executive Pension Scheme and participated in the pension builder career average section of the Mothercare Executive Pension Scheme. Pension accrued at one forty-fifth of pensionable salary (subject to a notional earnings cap of £185,400). The normal retirement age is 65 years. Contributions by Neil Harrington were set at 8 per cent of pensionable salary.