Board of directors


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Committee Memberships key:
A Audit and Risk 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, and non-executive director of Jumeirah Group LLC.

2. 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.

3. Angela Brav 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.

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

5. Amanda Mackenzie OBE A 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; a board member of the National Youth Orchestra and a past President of the Marketing Society. Amanda was awarded an OBE in the 2014 New Year Honours List for services to marketing.

6. Richard Rivers 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.

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

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

Executive committee


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

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

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

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

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

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

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

Corporate governance

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

Alan Parker CBE
Chairman

Dear shareholder

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

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

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

The board

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

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

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

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

Board changes

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

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

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

The board and its directors

The board of Mothercare plc meets regularly and maintains overall control of the group's affairs through a schedule of matters reserved for its decision. These include setting the group strategy, the approval of the annual budget and financial statements, major acquisitions and disposals, authority limits for capital and other expenditure and material treasury matters.

Key activities of the board

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

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

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

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

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

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

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

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

Corporate governance
continued

Governance and Committees

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

Mothercare plc main board

Board committees

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

Executive Committee

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

(A)

Audit and Risk Committee

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

(N)

Nomination Committee

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

(R)

Remuneration Committee

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

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

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

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

Executive Committee

The executive management of the Company (principally through the Executive Committee) has operated within a structure with defined lines of responsibility and delegations of authority, and within prescribed financial and operational limits. The system of internal control is based on financial, operational, compliance and risk control policies and procedures together with regular reporting of financial performance and measurement of key performance indicators. Risk management, planning, budgeting and forecasting procedures are also in place together with formal capital investment and appraisal arrangements.

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

Board effectiveness and balance

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

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

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

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

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

Diversity

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

Going concern

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

Corporate governance continued

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

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

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

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

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

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

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

Risk management

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

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

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

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

Sourcing/overseas operations

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

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

Bribery Act 2010

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

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

Shareholder relations

The Company maintains regular dialogue with institutional shareholders following its presentation of the financial performance of the business to the investing communities. Opportunities for dialogue take place at least four times a year following the announcement of the half and full year results and trading statements at the AGM (Quarter 1 results) and post Christmas (Quarter 3 results). During such meetings the Company is able to put forward its objectives for the business and discuss performance against those objectives and develop an understanding of the views of major shareholders. The outcome of meetings with major shareholders is reported by the Chief Executive at board meetings on a periodic basis.

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

Directors' interests and indemnity arrangements

At no time during the year did any director hold a material interest in any contract of significance with the Company or any of its subsidiary undertakings other than a third-party indemnity provision between each director and the Company and service contracts between each executive director and the Company. The Company has purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself and its directors.

The directors also have the benefit of the indemnity provision contained in the Company's Articles of Association. These provisions, which are qualifying third-party indemnity provisions as defined by Section 236 of the Companies Act 2006, were in force throughout the year and are currently in force. Details of directors' remuneration, service contracts and interests in the shares of the Company are set out in the directors' remuneration report.

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

Directors' conflicts of interest

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

Corporate governance continued

Director attendance

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

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

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

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

Notes:
- Simon Calver and Matt Smith attended meetings of the Audit and Remuneration Committees upon the invitation of the respective chairs of those committees.
- Alan Parker attended meetings of the Audit and Risk Committee upon the invitation of the chair of that committee.
- In addition to the board meetings above there were two ad hoc board meetings which approved the interim and full year report and accounts respectively and which were constituted by the board from those members available at that time having considered the views of the whole board beforehand.

Audit and Risk Committee

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

Lee Ginsberg
Chair, Audit and Risk Committee

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

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

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

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

Composition of the Committee

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

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

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

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

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

Audit and Risk Committee continued

Activities of the Committee

The remit of the Audit and Risk Committee is to review the scope and issues arising from the audit and matters relating to financial control and risk. It assists the board in its review of corporate governance and in the presentation of the Company's financial results through its review of the interim and full year accounts before approval by the board, focusing in particular on compliance with accounting principles, changes in accounting practice and major areas of judgement.

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

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

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

Fair, balanced and understandable

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

Areas of significant financial judgement considered by the Committee during the year

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

Going concern

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

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

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

Classification and presentation of exceptional items

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

Property closure provisions

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

Onerous lease and fixed asset impairment

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

Inventory/obsolescence provision

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

Audit and Risk Committee continued

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

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

Foreign currency

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

Other significant matters considered by the Committee during the year

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

Policies

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

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

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

Risk management

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

Internal audit

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

Effectiveness

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

Audit and Risk Committee

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

External audit

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

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

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

Conclusion

As a result of its work during the year, the Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence of the external auditors during the year.

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

Lee Ginsberg
Chair, Audit and Risk Committee

Nomination Committee

Dear Shareholder

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

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

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

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

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

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

Composition of the Committee

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

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

Activities of the Committee

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

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

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

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

Alan Parker CBE
Chairman

Directors' report

The directors present their report on the affairs of the group, together with the financial statements and auditors' report for the 52-week period ended 29 March 2014. The corporate governance statement set out on pages 40 to 46 forms part of this report. The Chairman's statement at page 14 gives further information on the work of the board during the period.

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

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

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

Business review

The principal companies within the Mothercare group for the period under review were Mothercare plc (the 'Company'), Mothercare UK Limited and Chelsea Stores Holdings Limited. Mothercare plc is the group holding company and is listed on the London Stock Exchange; Mothercare UK Limited owns the Mothercare trademarks, operates the UK Mothercare business and acts as the franchisor to Mothercare franchisees worldwide; Chelsea Stores Holdings Limited (through its subsidiary Early Learning Centre Limited) owns the ELC trade marks, operates the UK ELC business and acts as the franchisor to ELC franchisees worldwide.

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

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

Going concern

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

Dividend

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

Shares

As at 21 May 2013, the Company's issued share capital was 88,815,598 ordinary shares of 50p each all carrying voting rights. The details of the Company's issued share capital as at 29 March 2014 are set out in note 25 to the financial statements. No shares were held in Treasury.

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

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

Directors' report continued

Substantial shareholdings

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

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

Acquisition of own shares

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

Significant agreements and change of control

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

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

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

Directors

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

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

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

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

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

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

Employees

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

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

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

Disabled employees

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

Organisation review

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

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

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

Corporate citizenship

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

Global Code of Conduct – key themes:

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

Greenhouse gas emissions

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

Auditors

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

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

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

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

Directors' report
continued

Charitable and political donations

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

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

Post balance sheet events

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

Annual General Meeting

The 2014 Annual General Meeting will be held on Thursday, 17 July 2014 at 3.00pm in the conference suite at the Company's head office at Cherry Tree Road, Watford, Hertfordshire WD24 6SH.

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

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

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

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

By order of the Board

Tim Ashby
Group General Counsel and Company Secretary
21 May 2014

Remuneration report

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

Imelda Walsh
Chair, Remuneration Committee

Dear Shareholder

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

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

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

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

Financial Year 2013/14

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

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

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

Remuneration report continued

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

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

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

Financial Year 2014/15

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

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

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

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

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

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

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

Imelda Walsh
21 May 2014

Introduction

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

The report is split into three main areas:

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

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

Directors' Remuneration Policy

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

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

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

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

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

Remuneration policy

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

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

Remuneration report continued

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

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

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

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

Key elements of remuneration

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

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

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

Remuneration report continued

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

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

Remuneration report continued

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

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

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

Legacy LTIP awards

Performance metric

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

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

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

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

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

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

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

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

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

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

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

Remuneration report continued

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

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

Incentive plan discretions

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

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

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

Legacy arrangements

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

Remuneration scenarios for executive directors in FY2015
The Company's remuneration policy results in a significant proportion of the remuneration received by Executive Directors being dependent on Company performance. At the date of this report, the Company does not have a CEO appointed to the board, and accordingly the charts below show how total pay for the CFO and (for illustration purposes only) the previous permanent CEO vary under three different performance scenarios: Minimum, Target and Maximum:

Minimum

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

Target

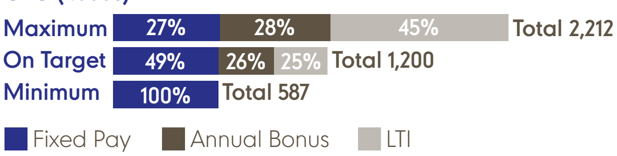
- Comprises fixed pay (salary, benefits and pension) and 50% of the maximum annual bonus and 30% of the full LTIP award.

Maximum

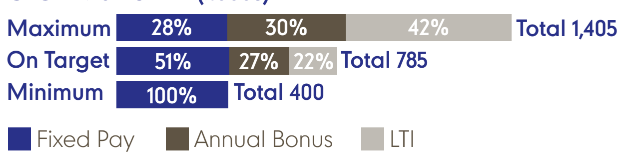
- Comprises fixed pay (salary, benefits and pension) and the maximum value of the bonus (Chief Executive 125% of base salary, CFO 125% of base salary).
- Normal policy awards under the LTIP with full vesting (CEO 200% of base salary, CFO 175% of base salary).

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

CEO (£000s)



CFO – Matt Smith (£000s)



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

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

Remuneration report continued

Executive directors' service contracts

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

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

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

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

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

Remuneration policy across the group

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

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

Recruitment policy

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

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

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

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

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

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

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

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

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

Remuneration report continued

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

Chairman and non-executive directors

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

Fees for the Chairman

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

Fees for NEDs

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

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

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

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

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

Consideration of shareholder views

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

Consideration of employment conditions elsewhere in the Company

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

Remuneration report
Annual report on remuneration

Implementation of Remuneration Policy in FY2015

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

Base Salaries

Executive Directors

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

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

Interim CEO

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

Chairman and non-executive directors' fees and expenses

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

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

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

Base fee p.a.

£50,000

Supplemental fee p.a.

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

Benefits and pension

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

Annual bonus

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

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

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

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

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

Long-term incentives

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

Service Contracts

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

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

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

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

Remuneration in FY2014

The Remuneration Committee

Composition of the Remuneration Committee

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

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

During the year the other committee members were:

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

Remit and Activity of the Remuneration Committee

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

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

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

Remuneration report continued

Remuneration Committee activity

The Committee considered the following points during the year:

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

Advisers to the Remuneration Committee

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

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

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

All the advisers are considered to be independent.

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

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

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

Chairman and non-executive directors' fees and expenses

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

Statement of voting at general meeting

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

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

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

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

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

Single total figure of remuneration for directors

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

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

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

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

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

Annual Bonuses and LTIPs

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

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

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

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

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

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

LTIP1

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

LTIP2

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

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

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

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

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

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

Remuneration report continued

Scheme interests awarded during the financial year

LTIP grants

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

December 2013

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

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

Payments to past directors

There were no payments to past directors during the year.

Payments for loss of office

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

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

Statement of directors' shareholding and share interests

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

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

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

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

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

Mothercare Employees' Share Trustee Limited

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

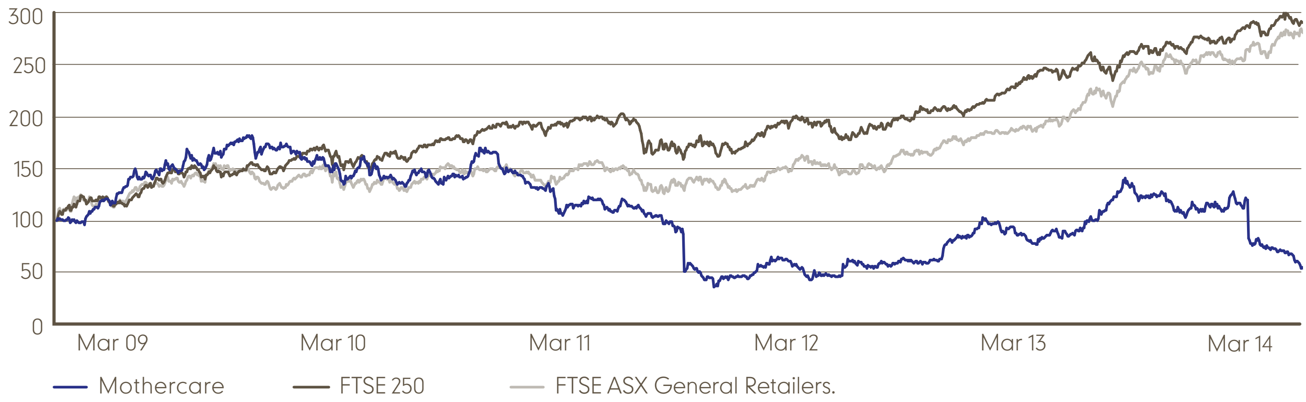
The Executive Directors are also deemed to have an interest in shares held by Mothercare Employees' Share Trustee Limited and the Mothercare Employee Trust as potential beneficiaries.

Performance graph and CEO remuneration table

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

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

TSR data indexed to 100



Source: Datastream

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

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

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

Percentage change in remuneration of director undertaking the role of CEO

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

Percentage increase in remuneration in FY2014 compared with remuneration in FY2013

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

Relative importance of spend on pay

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

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

Employee remuneration taken from Note 7 on page 106.

Auditable sections of the annual report on remuneration

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

Approval

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

Imelda Walsh

Imelda Walsh
Chair, Remuneration Committee