Chairman's statement

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

Alan Parker CBE
Chairman

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

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

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

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

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

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

Alan Parker CBE
Chairman, Mothercare plc

Strategic pillars

Lean retail

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

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

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

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

Sourcing efficiencies

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

Category mix

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

Restore UK profitability

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

National coverage

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

Strategic pillars continued

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

Increase value and innovation across our product ranges

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

Enhance customer service and improve in store environment

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

International growth

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

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

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

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

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

Multi-channel worldwide

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

UK online sales return to growth

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

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

International websites

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

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

Wholesale

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

Business review

Overview

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

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

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

Group profits improved on last year

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

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

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

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

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

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

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

International continues to deliver solid growth despite currency devaluation

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

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

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

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

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

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

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

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

Our business model

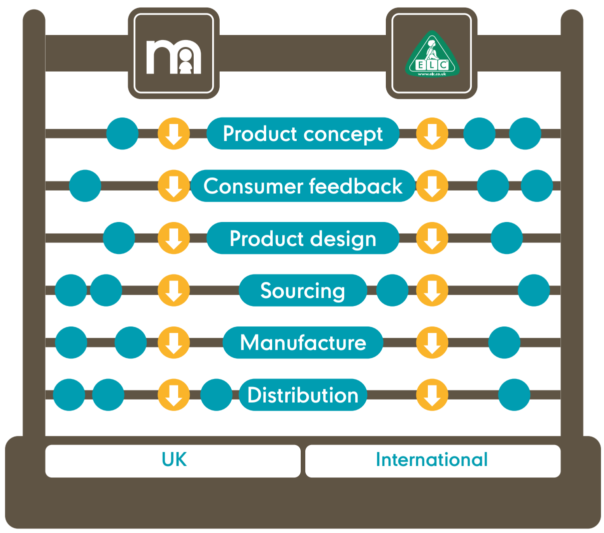
Our business is fully integrated across all our 60 countries. Our International markets operate on a franchise model, which means store operations are managed by our partners, while in the UK we manage our stores directly.

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

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

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

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



Business review continued

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

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

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

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

UK update

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

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

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

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

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

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

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

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

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

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

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

Summary and outlook

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

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

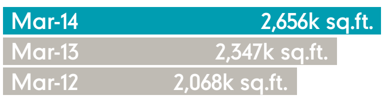
In the UK, we continue to close loss-making stores, invest in the continuing store portfolio and improve product, value, service and our customers' shopping experience both in store and online. We are managing the business tightly and our goal remains to return the UK to profitability.

Divisional review
International

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

Jerry Cull
Managing Director – International

International space



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

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

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

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

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

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

Jerry Cull
Managing Director – International

UK

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

Matt Stringer
Commercial Director – UK

UK space

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

-1.9%

UK like-for-like sales

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

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

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

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

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

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

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

Matthew Stringer.

Matt Stringer
Commercial Director – UK

Financial review

Results summary

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

Income statement

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

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

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

Non-underlying items

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

Exceptional items (see Note 6):

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

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

Other non-underlying items:

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

Results by segment

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

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

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

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

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

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

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

Share based payments

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

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

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

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

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

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

* Estimated.

Financial review
continued

Financing and taxation

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

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

Pensions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPIs – Financial and non-financial
Measuring our performance

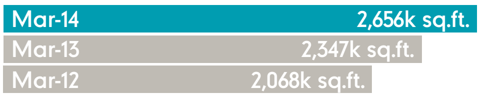
International profits

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

* Restated for IAS 19.

£45.3m

International space
(excluding Australia and New Zealand)



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

2,656k sq.ft.

Average length of services of store based employees

Mothercare

Early Learning Centre

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

6.1 years

Women in senior management positions

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

51%

UK profits/(losses)

-£21.5m	Mar-14
-£21.6m*	Mar-13
-£25.2m*	Mar-12

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

* Restated for IAS 19.

£21.5m

UK operating cost reduction of £20m

-£5.0m	Mar-15	
-£7.0m	Mar-14	✓
-£8.0m	Mar-13	✓

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

✓ Target achieved

UK store numbers

Mar-14	220 stores	189 Mothercare and 31 ELC
Mar-13	255 stores	196 Mothercare and 59 ELC
Mar-12	311 stores	209 Mothercare and 102 ELC

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

220 stores

Risks
Principal risks and uncertainties

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

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

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

Key:

	Increase in risk over the year
	No change

Financial

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

Financial continued

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

Operational

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

Risks
Principal risks and uncertainties continued

Manufacturing and Product

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

People and Infrastructure

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

Corporate responsibility

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

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

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

Highlights

In FY2014, the Mothercare group:

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

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

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

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

Our Environment

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

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

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

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

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

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

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

Building emissions – target exceeded

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

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

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

Transport emissions – target exceeded

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

Packaging handled – target exceeded

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

Waste recycling – target exceeded

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

Corporate responsibility continued

CSR in our International operations and Supply Chain

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

Our People

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

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

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

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

People making our products

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

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

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

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

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

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

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

Update from the Far East region

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

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

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

Update from the South Asia Team

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

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

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

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

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

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

Art to Care competition

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

Communities – parents and children

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

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

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

Events

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

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

Awards received

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