mothercare

Annual report and accounts 2007

www.mothercare.com

Our mission is to meet the needs and aspirations of parents for their children, worldwide

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Rocking Horse £35

Performance highlights

+3.3%

Group sales up 3.3% to £498.5 million (2006: £482.7 million)

+27.9%

International revenue up 27.9% to £87.1 million (2006: £68.1 million)

+0.4

UK gross margin up 0.4 percentage points

+7.6%

Group underlying profit before taxation up 7.6% to £22.6 million (2006: £21.0 million)

–21.9%

Group profit before taxation down 21.9% to £18.9 million (2006: £24.2 million)

10.0p

Total dividend 10.0p (2006: 9.0p)

24.2p

Underlying basic earnings per share 24.2p (2006: 21.2p)

20.9p

Basic earnings per share 20.9p (2006: 25.5p)

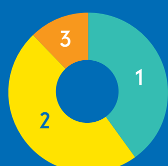
Mothercare believes that underlying profit before taxation and underlying earnings per share provide additional information on underlying trends to shareholders (see note 2 on page 41).

Mothercare at a glance

Sales breakdown

	£m
UK	411.4
International	87.1
Total	498.5

Product breakdown



1 Home and travel	40%
2 Clothing	48%
3 Toys and gifts	12%

Stores at year end

	Number
UK out-of-town	73
UK in town	152
UK total	225
International	328
Total	553

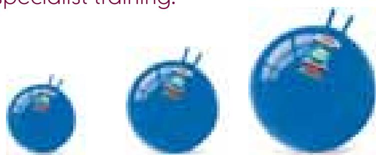
How have we been doing

Our progress of growth, in the three areas of specialism, efficiency and reach, are summarised below:

Specialism

Improvement in customer service and satisfaction

Mystery shopper scores showing benefit of investment in specialist training.



05	06	**07**
66%	75%	**81%**

Mystery shopper tests our customer service against defined parameters. It is our aim to be best in class for our sector.

Growing our proposition

UK sales per square foot. (Full year UK sales on a 52 week basis compared to year end UK store square footage.)

05	06	**07**
£216	£219	**£230**

Reach

UK stores

4
new stores in 2007

Mothercare Direct

3 million more website visits

16.3% sales growth

International

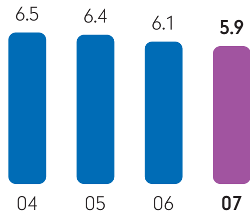
328
stores

38
countries

Target 2007/08
50
new International stores

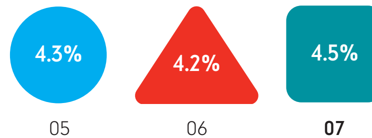
Efficiency

Reducing UK store distribution costs as a percentage of sales
Supply chain efficiency.



Long term target:
5%

Operating margin
Underlying profit before tax as a percentage of sales on a 52 week basis.



05 06 07

Long term target:
5%

Environment

Our policy
The impact of our activities upon the environment will be managed by:

- ensuring efficient use of raw materials
- optimising the use of energy
- encouraging recycling and sustainability
- engaging business partners and stakeholder groups

Environmental considerations will form an integral part of our core business values, alongside our commitments to social responsibility, quality, safety, and value.

Reducing CO_2 emissions
Logistics initiatives reducing costs and helping the environment.

Saved in 2007	Percentage of total
141,086 miles	4%
1,130 journeys	7%
89,198 litres of fuel	5%

Ian Peacock Chairman **Ben Gordon** Chief executive

Dear shareholder

The last financial year represented a key milestone in the transformation of Mothercare with the completion of a number of major projects.

During the year we launched our new bespoke e-commerce platform, completed the move to our new National Distribution Centre, grew sales per square foot in the UK and continued to improve margins. With our franchisees we also opened a record 62 International stores, bringing the total to 328 stores in 38 countries.

Other activity both at home and abroad has seen the restructuring of our direct sourcing activities, closing our UK sourcing office in Manchester, expanding our direct sourcing office in Tirupur, India and opening a sourcing office in Shanghai. We expect to see through the actions of investing in the growth of both our India and China offices, further benefits to gross margin and efficiency in the coming years.

Based on this strong platform, we are now focusing on our growth through our strategy of specialism, efficiency and reach. We are confident that the business will continue to develop strongly during the coming year.

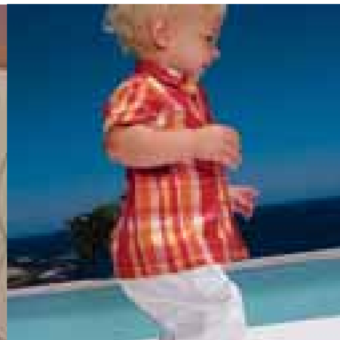
In April 2007 we announced the proposed acquisition of Chelsea Stores Holdings Limited, the owner of the Early Learning Centre brand. We believe that this proposed acquisition would represent a strategic opportunity for Mothercare to increase the reach of its UK, International and Direct operations and to capitalise on the cross-selling benefits of having complementary brand and customer bases, whilst also benefiting from cost efficiencies.

All of this could not have been accomplished without the continued dedication, commitment and enthusiasm of our people in the UK and around the world. Ben and I would like to thank all of our staff, franchisees and suppliers for their continued dedication and enthusiasm for the Mothercare brand and look forward to another successful year in 2007/08.

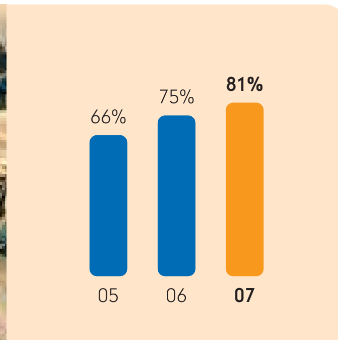
Ian Peacock
Chairman

Ben Gordon
Chief executive

Embroidered quilt £34.99


Check shirt £6/£7, **shorts** £6/£7

Pushchair choice



Improvement in customer service

Our business

Mothercare is a specialist retailer of products for mothers-to-be, babies and children up to the age of eight including maternity and children's clothing, furniture and home furnishings, bedding, feeding, bathing, travel equipment and toys through its retail outlets in the UK. It also operates Mothercare branded stores overseas under franchise arrangements in Europe, the Middle East, Far East, Africa and South Asia.

For more than 40 years, the Mothercare brand has been part of the process of parenting in the UK and it now has an international presence accounting for 17 per cent of Mothercare's total revenue in the 52 weeks ended 31 March 2007.

Being a specialist retailer, Mothercare understands the highs and lows of parenting. Market research carried out in 2007 identified that approximately 90 per cent of mothers in the UK visit a Mothercare store whilst approximately 63 per cent of pregnant mothers, approximately 60 per cent of mothers with babies up to the age of two years and approximately 41 per cent of mothers with children between the ages of two and four years visit our stores on a regular basis (source: ABA/Mothercare market tracker survey, 2007).

We aim to offer our customers a compelling mix of products of good design, high quality and value for money, including both Mothercare branded and selected other brands that augment and enhance the range on offer in our stores, catalogue and website.

Our markets

The strength of the Mothercare brand is seen in the growth of the Mothercare brand overseas. As at 31 March 2007, the Company had 328 franchised stores overseas in 38 countries. The Company believes that the continued relevance of the Mothercare brand overseas will continue to assist in future franchised store openings.

During the year we have continued to develop our commitment to offering our customers a multi-channel shopping environment. We are building an efficient operating platform in our supply chain to serve our stores in the UK and overseas franchisees, catalogue and website. The catalogue and website, in addition to being sales channels in their own right, serve to complement the stores with additional sources of product information and guidance on issues of importance to our customers on parenting and pregnancy.

Strategic development

With a strong platform in place following completion of a number of major projects, we are focusing on delivering our strategy of specialism, efficiency and reach, all enhanced by the multi-channel retailing opportunities available to us, both in the UK and overseas. Although not covered in this review, we also look forward to the growth opportunities we anticipate will flow from the proposed acquisition of Early Learning Centre announced in April 2007.

Specialism

We are seeking to strengthen Mothercare's position as a specialist parenting and children's brand worldwide, concentrating on developing our product offering, improving our stores and delivering knowledgeable customer service.

Product

We have carried out considerable work this year to strengthen our own label product base, and thereby maintain our position as a specialist retailer in the UK and overseas. Much of the work that our in-house design team undertakes is in direct response to customer feedback. For example, the team designed the toe-safe baby sock in the year, an innovation for the industry, that eradicates tangling problems associated with loose threads in babies socks. This product will be in stores imminently.

We also gained market share in our pushchair ranges and now have the largest range of Mothercare and branded pushchairs available online in the UK. Our Special Collection premium clothing range, which falls into the 'best' category in our good, better, best pricing strategy, was also launched in the year. Special Collection has been well received by customers in the 30 stores in which it has been trialled and will now be rolled out

In store pushchair display

Bouncy castle £59.99

Baby doll top £22

Leatherette basket £40

to the worldwide store portfolio. We also launched new ranges in home furnishings for baby and first bedroom, which have performed well both in store and online.

Stores
With our High Street refit programme now complete we have turned our focus to our out-of-town stores network. We have extended the trial of the out-of-town new concept, which is designed to create a true destination for parenting, increase sales densities, expand our successful Home and Travel ranges and maximise the benefits of our in-store concessions.

We now have ten stores fitted with the new format, with customer feedback being very positive. We now plan to extend the trial to at least a further ten out-of-town stores in 2007/08.

Service and people
In our new out-of-town stores, we have developed an in-store area for car seats with improved fixtures and colour-coded information. The concept incorporates clearer product merchandising and display to improve presentation and ease of selection together with an information and advice 'station'.

Our independent mystery customer programme continues to provide an insight into how our stores perform against a set of service criteria that is also benchmarked against our major competitors. This year we have focused the emphasis on 'service into selling' to raise the bar higher and to continue to stretch our performance further. Our results continue to improve and have been recognised as 'best in class' in external surveys.

Efficiency
Mothercare is investing in building an operating platform, including a new global supply chain and direct sourcing capability.

During the year we have concentrated on reducing the controllable portion of our overheads. As part of this activity we have carried out a restructuring of our UK central and sourcing operations to improve efficiency and reduce operating costs going forward.

Sourcing
Continued progress has been made with our sourcing initiatives, allowing us to again grow our UK margin over the year by 0.4 percentage points (and by 8.7 percentage points over the last four years).

During the year we have restructured our direct sourcing activities, closing our UK sourcing office in Manchester, expanding our direct sourcing office in Tirupur, India and opening a direct sourcing office in Shanghai, China. The establishment and growth of our India sourcing office and the recent opening of our China office will generate further benefits to gross margin and efficiency in future years.

Supply chain
In November 2004 we announced our new distribution strategy and the plan to move the bulk of our operations to a new bespoke National Distribution Centre. At that time we indicated the completion of the transition would take place in late 2006. We are pleased that this transition was completed both on plan and within budget and the new facility has operated well over its first Christmas period.

During 2006 we also relocated our Direct Distribution Centre to Mansfield run by a third party specialist. Again the transition was completed on time and within budget and this distribution centre also operated well through the peak period.

Infrastructure
During 2006 we completed the roll out of our new EPOS system to all UK stores, thereby enabling all stores to have access to Mothercare Direct through the web. We have subsequently added further functionality to these core store systems including an intranet, electronic gift vouchers and automatic payroll processing. This has further improved the efficiency in our stores and allowed us to mitigate the effects of wage inflation in the retail sector.

Top Check dress £12/£13
Middle Blue check shirt £7/£8
Bottom Candy stripe swim costume £9.99

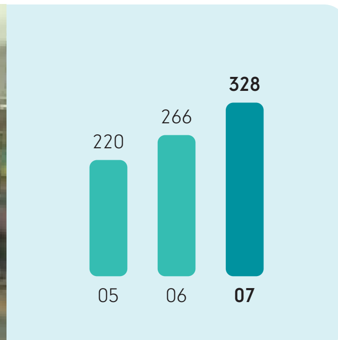
Top White sunhat £10, swimsuit £20
Middle Accessories: various from £14.99-£16.99
Bottom Puff sleeve print tunic £25

Top Pink piggy bank £8
Middle Embroidered top £8/£9
Bottom Large filled leatherette basket £60

Al Hudaithy Mall, Saudi Arabia

Kharkov, Ukraine

Galaxy Mall, Indonesia



Growth in numbers of International stores

We have also restructured central and head office functions during the year to improve efficiency and to focus resource on the growing customer facing areas of our business.

Reach

With the foundations of specialism and efficiency firmly in place we can focus on our third priority which is about expanding our reach to parents in the UK and around the world through our integrated multi-channel business and our International franchisee network.

Mothercare Direct

Mothercare Direct comprises Direct in Home (web in home and telephone catalogue ordering) and Direct in Store (web-enabled stores). Overall sales from our Direct channel grew by 16.3 per cent to £47.8 million (2006: £41.1 million).

During the year we launched a new online platform, built for us by Amazon Services Europe. This website launched in November 2006 and is performing ahead of expectations.

Our investment in the Direct business, which includes the new website, the recent extension of the web in store facility to all stores and the upgrading of our direct fulfilment operations provides the Company with an opportunity to exploit both the in store and in home based internet retailing opportunities. We believe that our Direct business has significant potential for future growth in the UK and worldwide.

Store optimisation

We are optimising our store portfolio. In 2005/06 we opened ten new stores and closed ten stores in the year, four of which were direct resites. In 2006/07 we opened one new store, resited three stores, closed eight stores and resized two of our larger stores, Reading and Cardiff. In addition, in May 2007 we relocated our store on the south side of Oxford Street in London to a new store on the north side of the street, offering a more contemporary setting for showcasing the Mothercare brand on a smaller, more efficient footprint. In each case the rightsizing of our portfolio increased sales per square foot and reduced operating costs. We are aiming at resiting, relocating and downsizing more than 30 Mothercare stores during the next 24 months.

International

Our International business has had a strong year. We now trade in 38 countries through 328 stores. Total retail sales made by our franchisees were £196.4 million. Overall franchisee like-for-like sales grew by an estimated 12.0 per cent. Our revenue from franchisees increased by 27.9 per cent to £87.1 million.

During the current financial year we expect to open at least 50 more new International stores, the majority of which will be in existing markets. Last year we opened our first stores in India and we plan to open 100 stores here in the next five years. We also plan to open new stores in countries where we do not currently trade in – Egypt, the Philippines and Armenia.

Outlook

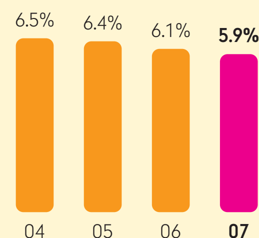
We believe that the underlying strength of the Mothercare brand together with the actions we are taking to improve the specialism, efficiency and reach of our multi-channel business will help us to continue to grow in the UK and we are confident that the UK and the International businesses will continue to develop strongly during the year.

Ben Gordon
Chief executive

Beach ball £2.99

Turtle shape sorter £11.99

Hand knitted bodysuit £45,
matinee jacket £40



Reducing UK distribution costs as a percentage of sales

Financial review

Results summary

On a statutory basis (52 weeks versus 53 weeks last year) group sales for the year rose by 3.3 per cent to £498.5 million (2006: £482.7 million). Group underlying profit before taxation increased by 7.6 per cent to £22.6 million (2006: £21.0 million). Group underlying profit before taxation excludes net exceptional charges of £2.4 million (2006: exceptional credit of £2.9 million) and the volatile non-cash IAS 39 adjustment. If these items are included, statutory group profit before taxation decreased by 21.9 per cent to £18.9 million (2006: £24.2 million).

53rd week in 2006

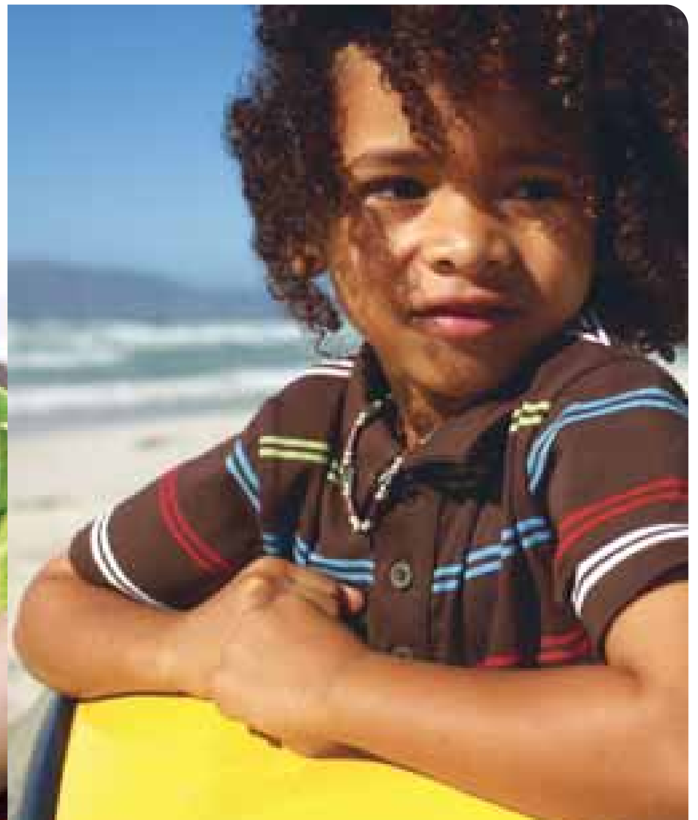
In 2006, Mothercare had an additional week's trading and the statutory results were for the 53 weeks ended 1 April 2006, which resulted in additional turnover and profit compared to 2007. In order to provide more meaningful comparisons, estimates of the additional revenue and profits generated in the 53rd week of 2006 have been excluded from the analysis set out below where indicated. We believe that this provides the most consistent comparable basis.

Profit before taxation

Underlying profit before taxation excludes exceptional items. It also excludes the impact of IAS 39 'Financial Instruments: Recognition and Measurement' which gives rise to non-cash adjustments to the income statement which are not reflective of the underlying profit or cash flows of the business. Underlying profit before taxation is derived as follows:

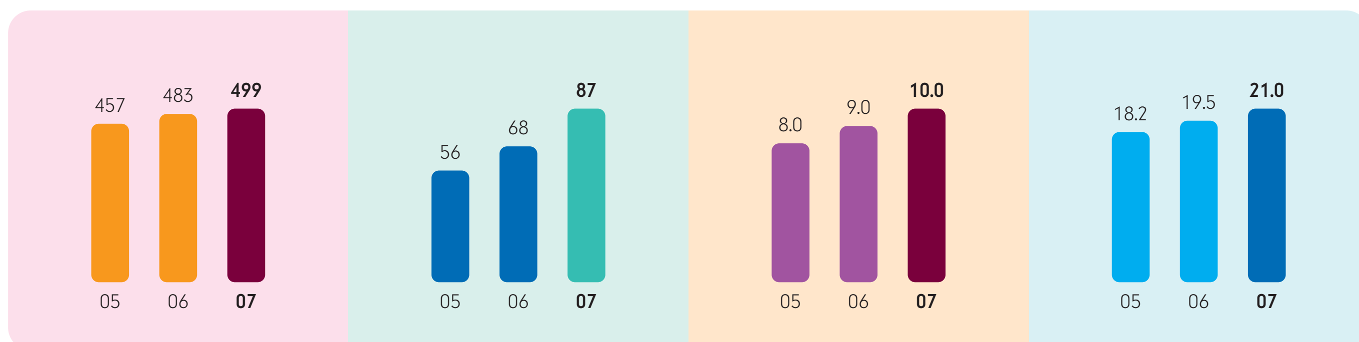
	2007 £m	2006 £m	%
Group profit before taxation	**18.9**	24.2	–21.9%
Exceptional items:			
Profit on disposal of property interests	**(0.2)**	(2.9)	
Direct distribution centre	**0.5**	–	
Restructuring	**2.1**	–	
Other non-underlying items:			
IAS 39 non-cash adjustment	**1.3**	(0.3)	
Underlying profit before tax (52 vs 53 weeks)	**22.6**	21.0	+7.6%
Impact of 53rd week in 2006	–	(0.9)	
Underlying profit before tax (52 vs 52 weeks)	**22.6**	20.1	+12.4%

In our 2006 interim report our underlying profit before tax measure also excluded the non-cash impact of IAS 19 'Employee Benefits', by including regular cash contributions made to the pension schemes rather than the more volatile income statement charge. We have, however, recently made a number of significant changes to the pension scheme – including increasing the retirement age from 60 to 65 from 1 April 2007 and the payment of special one-off contributions to the scheme – and these will not be reflected in the regular cash contributions until the next scheme valuation in 2008. Rather than adjusting underlying profit, it is therefore considered more appropriate to provide full disclosure of the income statement charge, the cash funding and the balance sheet position as follows:



Top Strappy vest (2 pack) £6/£7
Bottom Two layer t-shirt £5/£6, green badge t-shirt £5/£6

Top Striped polo shirt £6/£7
Bottom Turquoise vest £5/£6



Group sales growth £ million

International income growth £ million

Total dividend pence

Growth in underlying profit before interest and tax £ million

	2007 £m	2006 £m
Income statement		
Service cost	**(5.0)**	(4.7)
Return on assets	**13.2**	10.9
Interest on liabilities	**(9.4)**	(9.0)
Net charge	**(1.2)**	(2.8)
Cash funding		
Regular contributions	**(3.0)**	(3.2)
Additional contributions	**(1.5)**	(5.3)
Total cash funding	**(4.5)**	(8.5)
Balance sheet		
Fair value of schemes' assets	**193.6**	180.4
Present value of defined benefit obligations	**(191.6)**	(197.9)
Net asset/(liability)	**2.0**	(17.5)

Results by segment

The primary segments of Mothercare plc are the UK (which includes the Direct business) and the International business:

2007	Revenue £m	Underlying profit from operations £m
UK	411.4	19.3
International	87.1	8.1
Corporate	–	(6.4)
	498.5	21.0

2006	Revenue £m	Underlying profit from operations £m
UK	407.3	20.1
International	66.9	5.2
Corporate	–	(6.7)
	474.2	18.6

Corporate expenses not allocated to UK or International represent head office costs, board and senior management costs, insurance, annual and interim reporting costs and audit and professional fees.

Results by category and channel (comparable 52 week basis)

Sales in the year have again increased in each of our key product categories and also across each channel to market. UK store sales were up 1.0 per cent, International stores up 30.2 per cent and Direct in Home up 16.8 per cent.

Total UK like-for-like sales are defined as sales growth on the previous year for stores that have been trading continuously from the same selling space for at least a year, plus Direct in Home sales. UK store like-for-likes are defined on the same basis except that Direct in Home sales are excluded. Total UK like-for-like sales were up 1.6 per cent in the year and UK store like-for-like sales were up 0.8 per cent. International franchisee like-for-like sales were up an estimated 12.0 per cent in the year. Our Direct business, which is wholly in the UK, increased revenue by 18.9 per cent in the year to £47.8 million.

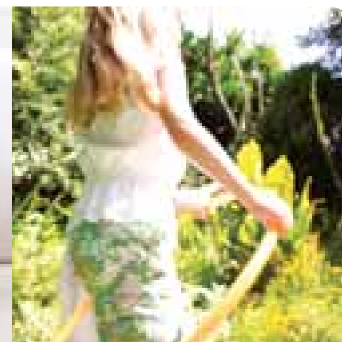
Underlying profit before taxation (comparable 52 week basis)

Group underlying profit before taxation increased by 12.4 per cent to £22.6 million in the year. The key drivers of profit were the increase in UK store like-for-like sales, the store rightsizing programme and the improved gross margin percentage, together with strong contributions from the smaller but more

Crochet tunic dress £26

Sand and water table £24.99

V-neck jumper £8/£9,
turn-up trousers £10/£11


Tropical crop trouser £12/£13

rapidly growing International and Direct businesses. Combined, these more than off-set rises in our cost base.

The UK gross margin improved by 0.4 percentage points as a result of better buying, an increase in direct sourcing and greater volumes in the UK and overseas.

In line with other retailers, Mothercare is experiencing inflation in store operating costs in the UK, however, the total UK cost increase was reduced through tight management of controllable costs. We expect cost pressures to continue in the current year, however, these will be mitigated by the restructuring actions we have taken in the year, the optimisation of our store portfolios, growing the gross margin through more direct sourcing and better buying, expanding the Direct business and focusing closely on store productivity and other costs.

Exceptional items

Exceptional items can be summarised as follows:

	2007 £m	2006 £m
UK central and sourcing restructure	**2.1**	–
Reorganisation of Direct distribution centre	**0.5**	–
Profit on disposal of property interests	**(0.2)**	(2.9)
Total exceptional charge/(credit)	**2.4**	(2.9)

During the year a significant restructuring programme was carried out at the UK head office in Watford and we announced the closure of our sourcing office in Manchester leading to exceptional redundancy and other related costs amounting to £2.1 million. In addition, the Direct distribution centre was relocated during the year to a larger more efficient site, generating an exceptional charge of £0.5 million. The exceptional credit in respect of disposal of property interests relates to net disposal proceeds on the disposal of the leasehold interest in ten closed and two downsized stores in the period.

Taxation

The tax charge of £4.4 million, reflecting an effective tax rate of 23.3 per cent, mainly reflects utilisation of tax losses. The group still has unused tax losses of £12.9 million (2006: £17.7 million) available to set off against future profits. The current year tax charge benefits from a £1.6 million provision release relating to prior years. On a comparable basis with last year (excluding prior year items) the effective tax rate would have been 31.7 per cent.

Pensions

We continue to operate defined benefit pension schemes for our staff. The total net cost of the pension schemes in the year was £1.2 million (2006: £2.8 million).

The valuation of the schemes under IAS 19 at 31 March 2007 gave rise to a net pension surplus of £2.0 million (2006: deficit of £17.5 million) before deferred taxation. IFRS requires that we value pension scheme liabilities using a high-quality corporate bond yield, and this has proven to be a volatile measure. We do however believe that the overall downward trend in the deficit over time reflects the actions we have taken, including £16.8 million of special contributions to the scheme over the last three years, and we are comfortable with the current level of funding in the schemes.

From 1 April 2007 the retirement age for future service was increased from 60 to 65 years. We will continue to keep the structure and level of benefits of the group's pension schemes under active review.

Balance sheet and cash flow

The group had a net cash inflow of £4.2 million, leaving a cash balance at the end of the year of £40.1 million (2006: £35.9 million).

The working capital outflow in the year was £6.0 million. This was due to increased inventory levels resulting from the increase in

Moda – our maternity range

White linen dress £50

Calypso jersey dress £12/£14

My First Bike £49.99

direct sourcing, together with receivables growth arising from the growth of International, and amounts receivable from property disposals. The total overseas receivables balance at 31 March 2007 was £19.4 million (2006: £14.3 million). Bank guarantees and/or insurance is in place to mitigate risk.

Capital expenditure

Capital expenditure in the year was £18.5 million. £11.5 million was invested in UK stores including the new out-of-town store refits, £3.4 million was invested in infrastructure including store EPOS functionality and £3.6 million was invested in the final phases of the National Distribution Centre move.

Earnings per share and dividend

Basic earnings per share were 20.9p for the period (2006: 25.5p). Underlying earnings per share were 24.2p (2006: 21.2p). Further details are set out in note 12.

The Directors are pleased to recommend an 8.9 per cent increase in final dividend for the year to 6.7p (2006: 6.15p). The total dividend for the year is 10.0p (2006: 9.0p) an increase of 11.1 per cent.

The final dividend will be payable on 10 August 2007 to shareholders registered on 8 June 2007. The latest date for election to join the dividend reinvestment plan is 20 July 2007.

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 risks to which the group is exposed relate to movements in 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 export sales to franchisees are invoiced in pounds sterling. Export sales represent approximately 17 per cent of group sales. The group therefore has no currency exposure on these sales.

The group purchases product in foreign currency, representing some 15 per cent of purchases. The group policy is that all material exposures are hedged by using forward currency contracts.

Interest rate risk

In the 52 week period ending 31 March 2007 the group had cash balances and no borrowings. Interest rate hedging was not therefore considered necessary. The board will keep this matter under review as the group develops.

Shareholders' funds

Shareholders' funds amounts to £151.0 million, an increase of £19.3 million in the year. This is equivalent to £2.06 per share compared to £1.81 per share at the previous year end.

Accounting policies and standards

The principal accounting policies and standards used by the group are shown on page 41.

There were no new accounting standards that came into effect during the year. As described on page 41, during the year the Company has made a presentational adjustment in respect of IAS 19 'Employee Benefits', to include the components of net pension expense including interest cost and expected return on assets, in arriving at a profit from operations. Prior periods are restated on a comparable basis.

Neil Harrington
Finance director

White t-shirt £2/£3, **stripe top** £8/£9

Babygrow (part of box set) £35

Value t-shirt £2.50/£3.50

Babygrow box set £35, **pink cashmere mix shawl** £65

Corporate responsibility

Our customers expect us to place corporate social responsibility policies at the heart of our daily operations. We are therefore committed to implementing, and operating under a set of practical policies that underscore our commitment to the welfare of our customers, employees, suppliers and other stakeholders in the businesses and the communities within which we operate.

Our people

A key platform of our success is the commitment, enthusiasm and dedication of our people around the world. Without this we would be unable to deliver the specialist service our customers expect.

The benefits of working for the Company are set out on our website at www.mothercare.com and include details of the extensive training and development programmes such as CDF (career development framework) that we provide for both our store and office based staff. In addition, training support is provided for employees pursuing professional qualifications. The website and the remuneration report in this report and accounts also gives details of the reward, bonus and pension schemes operated by the Company for the benefit of all employees. Mothercare also promotes employee policies on flexible working, job share and other work/life balance schemes including career breaks and retirement policies. All employees have access to a confidential independent helpline offering assistance on personal, legal and financial matters. In addition, a confidential hotline is provided so that employees can report concerns about non-compliance with Company policies, fraud, theft and breaches of security.

A shared understanding of the aims and ambitions of the business is critical to its future success. The continual involvement of all employees in the strategic objectives of the business is achieved through participation in briefings, presentations, conferences and roadshows around the country. In addition, two employee forums providing the framework for consultation in the retail and central support functions continue to take place with four meetings scheduled in each year. Each forum is comprised of staff and management representatives.

Our suppliers

We continue to appraise all our suppliers' factory standards as well as those that we source from directly. We continue to be a member of the Ethical Trading Initiative (ETI) which is an alliance of businesses, non-governmental organisations and trade unions committed to working together to promote ethical trade.

Quality

The safety, quality and legality of our products is a continual focus for us and forms a large part of our ongoing programme of evaluation, updating and the implementation of new initiatives. An example of the detail that we incorporate into our products is where we have developed a new product construction on newborn sleepsuits called Toe Safe. This new foot design prevents loose threads from wrapping around tiny toes and is due to reach stores imminently.

During the year we won awards for our products including the Mother & Baby Gold Award for the 5 in 1 trekker and Trenton Deluxe travel system; Prima Baby Best value in several categories; Practical Parenting best travel item and highchair for the Mothercare basic travel cot and Atlanta respectively and also best specialist retailer voted for by their readers.

Use of chemicals and harmful substances

We are continuing with our pledge, first made in 2003, to phase out the use of materials that 'may pose an unacceptable risk to our customers, the people making our products, or the environment', worldwide.

Phthalates are a group of chemical compounds mainly used as plasticizers which are added to plastics to increase their flexibility, chiefly to turn pvc from hard into soft plastic. In compliance with recent legislation Mothercare restricts the use of phthalates in certain products. Mothercare has attempted to ensure all products covered by the legislation are compliant and

Top Embroidered dress £28
Middle Quilt £29.99
Bottom Surf t-shirt £6/£7

Top Steiff classic bear £120/£80
Middle Eggcup and spoon £10
Bottom Ceramic frame, boxes – various prices

Top Bath/swim poncho £12.99
Middle Calypso set £12/£14
Bottom Grandad top £20

Jersey skirt (2 pack) £8/£10

Wooden pound-a-ball £9.99

TAMBA twins

Tirupur hospital maternity wing

has gone beyond the requirements by extending this restriction to include motifs, prints and belts on maternity, babies' and children's clothing; and footwear (with the exception of wellies and jellies) which is not covered by the legislation.

In early summer we are introducing into our gift offer a number of clothing items made from 100% organic cotton.

In the community

The ShopWatch scheme is an innovative new partnership bringing the retail industry and the police together in the fight against crime in stores and on the streets. The Metropolitan Police have been running training courses for Special Constables as part of this scheme and it is being rolled out to other forces. Once qualified, in accordance with the scheme, eight hours a fortnight will be spent on the beat. The benefit to stores is that they will have a trained police officer on hand whilst the police will gain enhanced understanding of the way retailers work. We already have one Mothercare employee who has completed training and already taken part in her attestation ceremony. We also have a number of regional colleagues awaiting admission to training.

Activities in the community

We continue to hold coffee mornings, talks and classes in a small number of our stores for parents and their children and expectant parents. In the resource centre section of www.mothercare.com there are several articles on parenting, pregnancy and product guides to reach those customers who are looking to the internet for their information.

As part of our programme to increase our specialist and expert knowledge across the business, we teamed up with the Norland College this year so that Mothercare's buying teams can understand more about making dressing easy for both parent and child.

Mothercare annually supports the Department of Health's National Breastfeeding Awareness Week by inviting local professionals to their stores to discuss all aspects of breastfeeding with expectant parents.

We continue to support midwives and health visitors nationally by taking stands at their annual conference promoting Mothercare products and services. Mothercare buyers and technologists gather the latest information and advice about pregnancy and baby care from these professionals to develop even better products.

The environment

Energy consumption

Energy management systems are installed in all our stores to control the time switching of lighting and heating, ventilation and air conditioning plant to reduce wastage. These are being upgraded in 2007/08 and will be IP (internet protocol) addressable thus saving on telephone line rentals. A contract for green electricity supply was retendered in September 2006 based on 100 per cent green energy. In conjunction with our energy consultants, the electricity provider compiles regular monitoring and targeting reports on metered sites which allows us to benchmark and keep close control of energy usage.

Trials are nearing completion on half hourly metering of sub 100kw sites with a view to full implementation in 2007/08. An installation of an energy saving device on store lighting has been completed in one store which is saving approximately 30 per cent on energy consumption. This will be rolled out to further stores.

Since their appointment, The Carbon Trust have carried out energy audits at a number of our sites to establish if there are any further areas where we can reduce consumption. The results are in the process of being collated.

Recycling

Packaging from our warehouses is recycled and 50 per cent of cardboard and other waste is recycled where we are responsible for collecting trade waste. We participate in

Gift set £20

Floppy bunny £12

Support bra £16

Carry case £9.99

recycling schemes operated by the shopping centres in which we are represented.

All delivery vehicle oils, batteries and tyres are sent for reprocessing and/or reclamation of materials.

At our Watford office paper, cardboard, confidential waste, cans and plastics are being recycled. We participate in a recycling scheme that commissions the Woodland Trust to plant a tree for every 50 sacks collected.

To assist in the recycling of volume cardboard at our distribution centre, a bailer has been installed which enables the cardboard to be sold, avoiding waste disposal.

We are in the process of running a trial on recycling the hangers used to display clothing that our customers don't require. The intention is that by recycling them, we will avoid having to dispose of them in landfill sites.

Further to the mileage savings that were made last year, the transport network is running less mileage year-on-year whilst delivering the same quantities. The reduction is currently running at 15 per cent year on year. The trial of double-deck vehicles (to reduce mileage and driver hours) continues. The fleet is due to be replaced in August, which will enable us to have more environmentally friendly vehicles from an emissions perspective.

Insite

This year has seen the introduction of an intranet service between head office and stores. The main focus is the dissemination of communications and information which had, until now, been delivered mainly by paper in weekly mailings. It also has a two-way function so that stores can now complete and return company forms on line. This has had the effect of eliminating paper reports being posted to head office and regional collation centres and allows a more efficient handling and processing of the information received.

Overseas warehouses

We currently use four third party warehouses, two in India and one each in Dubai and Singapore, which are primarily used for consolidating stock purchased directly in India and Asia and distributing to franchisees based in those regions, thus saving on transport miles and lead times.

India

We use two warehouses, one in New Delhi and the other in Tirupur, to take stock in from our suppliers and then pick and pack to the four-region requirements of our Indian franchisee.

Dubai

Stock purchased directly from the supply base in Asia is consolidated on ocean containers and shipped into the Jebel Ali Free Zone where it is picked and packed at the warehouse to our Middle East franchisee requirements.

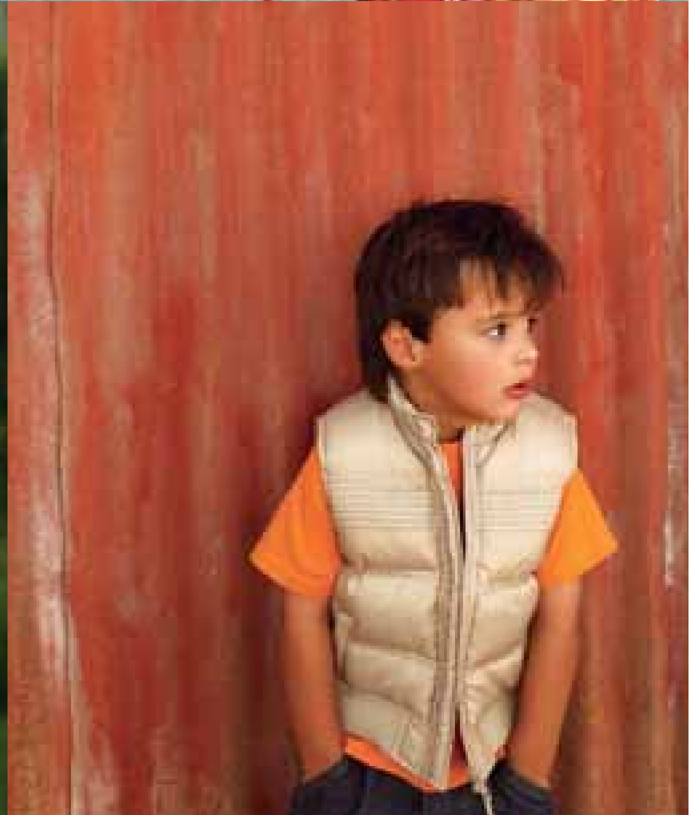
Singapore

This unit operates similarly to the Dubai warehouse with goods shipped to Asia and selected Europe franchisee requirements.

The Mothercare Charitable Foundation

The Mothercare Charitable Foundation, created in 2004 to enable Mothercare to have a more focused approach to charitable activities, continues to make a real difference to the lives of children across the world. The Foundation welcomes applications from registered charitable organisations that are focused on ensuring the good health and wellbeing of expectant mothers, new mothers and their children, special baby care needs and premature births, and other parenting initiatives related to family wellbeing.

The Foundation aims to support organisations with donations large and small. Consequently, numerous charities have benefited from the Foundation's support over the last financial year, including the national charity for providing fun and happiness for disadvantaged children and young people, KidsOut. Their ToyBox project was supported by a donation



Top Check shirt £8/£9
Bottom Embroidered sundress £14/£15

Top Shorts £6/£7, hat £5/£6
Bottom Gillet £12/£13

Mug and coaster £8

3 pack t-shirt £9/£11

Flower print dress £32

Butterfly net £4.99

to the value of £25,000 of Mothercare toys for children who have been rehoused after fleeing domestic violence.

The Twins & Multiple Births Association (TAMBA) received a donation of £6,500 to enable them to make a number of positive changes to their website this year – which is a crucial source of information and advice for parents and carers of twins, triplets or more. These changes include a new fundraising page on the TAMBA website, aimed at increasing the number of charitable donations it receives, which is vital for the charity's long term growth and development.

Disabled children across London will be able to join in the fun at adventure playgrounds that have new sensory and play equipment, as a result of a £5,000 donation from the Foundation to the charity Kids. The funding was provided from five of the Area Managers' charitable funds in the South East region.

Employees and suppliers also had the opportunity to help raise funds for worthy causes by participating in the Mothercare Charity Golf Day. Thanks to supplier donations, sponsorship, and matching funding from the Foundation, our golfers raised in excess of £30,000, split equally between Richard House children's hospice in London and the hospital maternity wing in Tirupur, India, the latter where Mothercare has a considerable supplier network.

Two disabled children will be able to get out and about more easily, thanks to a £2,000 donation to Motability. The children will be able to access a vehicle with ease using the 90-degree swivel seats that the money has been used to buy.

The Foundation also supported Peri-Natal Illness UK (PNI-UK), a national charity for mothers and families, who are suffering from any type of postnatal depression or illness. It includes help for those who are encountering any distressing psychological and emotional condition that has developed during their pregnancy, the birth or during the postnatal period. The Foundation's donation of £15,000 went towards the charity's core projects such as its telephone helpline and website forum for sufferers of postnatal depression.

The Mothercare Charitable Foundation is also committed to supporting the local communities in which Mothercare has stores, through the provision of 13 regional Area Managers' charitable funds. These funds are generally distributed in the form of Mothercare gift vouchers. They are donated to smaller, local causes such as playgroups, mother and baby groups, breastfeeding support groups and maternity/neonatal units, and are often used as raffle or auction prizes at fundraising events, or used to purchase the required toys or equipment directly from our stores.

In order to give Mothercare employees the opportunity to nominate a relevant charity of their choice, the annual £10,000 Chairman's Fund was awarded in the run-up to Christmas. A donation of £7,000 was made to ASBAH (the Association for Spina Bifida & Hydrocephalous), with a further six runners-up donations of £500 given to a variety of children's charities nominated by our employees across the UK.

Where employees wish to raise funds, and the aims of the charities they are fundraising for match, the trustees of the foundation have approved donations for activities including half marathons in the UK and abroad.

Board of directors

Neil Harrington | Ian Peacock | Ben Gordon | Karren Brady | Bernard Cragg | David Williams

Neil Harrington
Finance director
Appointed in January 2006. Formerly finance director of George Clothing UK, a division of Asda Stores Limited, chief financial and admin officer of Global George, a division of Wal-Mart Stores Inc. Prior to joining Wal-Mart, was finance director of Barclaycard International, a division of Barclays Bank plc and group financial controller of French Connection Group plc. Chartered accountant. Aged 43.

Ian Peacock ■ ▲
Non-executive chairman
Appointed chairman on 1 November 2002 having joined the board as chairman elect on 1 August 2002. Deputy chairman of Lombard Risk Management plc and a Trustee of the WRVS. Previously chairman of Galiform plc (formerly MFI Furniture Group plc) and held senior management positions in the banking industry in London, New York and Asia, including BZW and Kleinwort Benson. From 1998–2000 was a special adviser to the Bank of England. Aged 59.

Ben Gordon
Chief executive
Appointed in December 2002. Formerly senior vice president and managing director, Disney Store, Europe and Asia Pacific. Has also held senior management positions with the WHSmith Group in Europe and the USA and L'Oreal S.A., Paris. Aged 47.

Karren Brady ● ■ ▲
Non-executive director
Appointed in July 2003. Managing director of Birmingham City Football Club plc. Chairman and non-executive director of Kerrang! Radio (West Midlands) Limited, a non-executive director of Channel 4 Television Corporation and of Sport England. Aged 38.

Bernard Cragg ● ■ ▲
Senior non-executive director
Appointed in March 2003. Chairman of Datamonitor plc, I-mate plc and a non-executive director of Bank of Ireland UK Holdings plc, Bristol & West plc, Workspace Group Plc and of Astro All Asia Networks plc. Formerly group finance director and chief financial officer of Carlton Communications plc and a non-executive director of Arcadia plc. Chartered accountant. Aged 52.

David Williams ● ■ ▲
Non-executive director
Appointed in August 2004. Chairman of Accantia Limited. Non-executive director of the Royal London Mutual Insurance Society, the Accantia Group Ltd, and is an operating partner of Duke Street Capital LLP. Formerly chairman of Wyevale Garden Centres plc, DX Services plc, Avanti Screen Media Group plc and Avebury Group Limited and held a number of senior management roles in Diageo plc, PepsiCo Restaurants International and Whitbread plc. Formerly CEO of the Thresher Group between 2001 and 2004. Aged 60.

Key
● Audit committee
■ Remuneration committee
▲ Nomination committee

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 31 March 2007.

Business review

The principal companies within the Mothercare group for the period under review were Mothercare plc (the Company) and Mothercare UK Limited. The Companies Act 1985 requires the directors' report to contain a fair review of the business and a description of the principal risks and uncertainties facing the group. A review of the business strategy and a commentary on the performance of the Mothercare business is set out in the performance highlights, company performance overview, chairman's and chief executive's statement and business review on pages 1, 2 to 3, 4, and 5 to 8 respectively. In addition, the principal risks facing the business are detailed in the governance report on page 24. These disclosures form part of this report.

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, company performance overview, business review and 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. 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.

Dividend

The directors recommend a final dividend of 6.7p per share. An interim dividend of 3.3p was paid in February 2007 (2006: 2.85p per share) making a total of 10.0p per share (2006: total of 9.0p per share).

Substantial shareholdings

As at 23 May 2007, the Company has been advised by the following companies of notifiable interests in its ordinary share capital:

Holder	Number of shares	Percentage of issued capital
Aberdeen Asset Management Group	7,691,285	10.49%
M&G Investment Management Ltd	7,169,768	9.78%
Aegon Asset Management	6,317,733	8.62%
Fidelity Management & Research Co.	5,655,815	7.71%
Legal & General Investment Management Ltd	4,820,562	6.57%

Acquisition of own shares

The Company was given a general approval at the Annual General Meeting (AGM) in July 2006 to purchase up to 10 per cent of its shares in the market. This authority expires after the AGM on 19 July 2007. The authority has not been used during the year.

As at 23 May 2007, the Company's issued share capital was 73,333,348 all carrying voting rights. No shares were held in Treasury.

Directors

The following directors served during the 52 week period ended 31 March 2007:

Name	Appointment
Ian Peacock	Chairman and independent non-executive director, chairman of the nomination committee
Karren Brady	Independent non-executive director
Bernard Cragg	Senior independent non-executive director and chairman of the audit committee
Ben Gordon	Executive director
Neil Harrington	Executive director
David Williams	Independent non-executive director and chairman of the remuneration committee

In accordance with the Company's articles of association, Ben Gordon and David Williams retire by rotation from the board following the conclusion of the AGM on 19 July 2007 and stand for re-election at the AGM. Biographical details of the directors, indicating their experience and qualifications, are set out on page 20.

Details of directors' service arrangements are set out in the remuneration report on page 28. There are no special contractual payments associated with a change of control.

A statement of directors' interests in the shares of Mothercare plc and of their remuneration is set out on pages 28 to 35.

Employees

The Company communicates, and reviews with all its employees, its corporate objectives, performance and economic activity relevant to its business. This is achieved through the company magazine, briefings, bulletins, e-mail and video presentations.

The capabilities of the group's employees are measured, their development needs ascertained and programmes designed to ensure that the critical skills required for the development of both the individual and the Company are attained. The group's remuneration strategy is set out in the remuneration report. That report includes details of the various incentive schemes and share plans operated by the group.

Mothercare is an equal opportunities employer and ensures that recruitment and promotion decisions 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.

Pensions

The group operates pension schemes for those of its employees that wish to participate. The introduction of International Accounting Standard (IAS) 19, coupled with the changing demographic assumptions used in calculating pension liabilities, has had the effect of increasing the cost of pensions to companies. The Company has addressed the cost of pensions by agreeing with the trustees of the schemes to increase the normal retirement age to 65 years for all employees. Further details of the pension charge is set out on page 66. In 2005 the Company agreed to make additional ongoing contributions to further address the deficit in the staff pension scheme of £1.5 million per annum until 2014. These contributions, allied with the expected investment returns in the scheme, are anticipated to remove the deficit over that period, although this cannot be guaranteed. This issue will be regularly reviewed by the board with the independent trustees of the pension scheme.

Payment of suppliers

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

The amount owed to trade creditors at the end of the financial year represented nil days (2006: nil days) of average daily purchases during the year for the Company and 40 days (2006: 39 days) for the group.

Property, plant and equipment

Changes in property, plant and equipment are shown in note 14 to the accounts. A valuation of the group's freehold and long leasehold properties, excluding rack rented properties, was carried out by external valuers, primarily Messrs Cushman & Wakefield as at 1 April 2006 and updated by a desktop review during the year. The basis of the valuation is Existing Use Value in respect of properties primarily occupied by the group and on the basis of Market Value in respect of investment properties, both bases being in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Manual. This adjusted valuation of the properties resulted in a surplus over their net book value of £16 million.

Corporate citizenship

The board recognises that corporate citizenship, or social responsibility, is an important factor in managing the reputation of a business such as Mothercare.

Further details are set out on pages 14 to 19.

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 1985) 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.

In accordance with section 385 of the Companies Act 1985 a resolution proposing the re-election of Deloitte & Touche LLP as auditors to the Company will be put to the AGM.

Charitable and political donations

The Company made a further donation to The Mothercare Charitable Foundation during the year of £100,000. Total charitable donations for the year ended 31 March 2007 were £100,000 (2006: £100,000).

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

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future. The financial statements are therefore prepared on a going concern basis.

Annual General Meeting

The 2007 Annual General Meeting will be held on Thursday, 19 July 2007 at 10.30am 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 pre-paid form of proxy for the use of shareholders unable to come to the AGM but who may wish to vote or to put any questions to the board of directors are enclosed with this annual report. Shareholders may also submit questions via the Company's website at www.mothercare.com/investorinfo. The chairman will respond in writing to questions received.

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

Also enclosed with the notice of the meeting (and attached to the form of proxy) is a communications card in respect of electronic communications. Further information regarding the communications card is set out below in the explanatory notes to Resolution 8.

The following paragraphs give explanatory notes on the business to be proposed at the meeting:

Resolution 1: To receive the Company's annual accounts together with the directors' report, the directors' remuneration report and the

auditors report upon the accounts for the 52 weeks ended 31 March 2007. The directors will present the report and accounts and shareholders may raise any questions on it at the meeting.

Resolution 2: To declare a final dividend of 6.7p per share payable on 10 August 2007 to those shareholders on the register on 8 June 2007.

Resolution 3: To approve the directors' remuneration report.

Resolutions 4 and 5: Reappointment of directors. The Company's articles of association require that one third of the directors that are required to retire by rotation must retire. Separate resolutions will be proposed on each of these appointments.

Resolution 6: Reappointment of Auditors. Deloitte & Touche LLP has indicated its willingness to act as auditors to the Company and accordingly an ordinary resolution to reappoint them will be proposed.

The meeting will also be asked to consider the following matters of Special Business:

As Ordinary Resolutions

Resolution 7: Authority to allot relevant securities. The effect of this resolution is to renew the authority of the directors conferred by article 4(B) of the articles of association, to allot relevant securities up to an amount equal to approximately one-third of the issued ordinary share capital of the Company as at 1 June 2007. The authority will continue for a period of 15 months or until the conclusion of the next AGM, whichever is the sooner. The directors have no present intention of using this authority.

The Company currently has no shares held in treasury.

Resolution 8: Electronic communications with shareholders. Although the Company's articles of association currently contain provisions relating to electronic communications, the provisions of the Companies Act 2006 (which were brought into force on 20 January 2007) permit the use of electronic communications to a greater extent than was previously possible. In particular, they allow companies to communicate with shareholders electronically (including, without limitation, through a website) instead of sending paper documents through the post, unless the shareholders elect to continue to receive paper documents from the Company. The board wishes to benefit the environment by reducing the volume of documents produced, reduce the current considerable cost associated with sending paper copies to a large number of shareholders and enhance communications with shareholders by providing documents in their elected format. Accordingly, Resolution 8 will be proposed as an ordinary resolution to reflect the new legislation regarding electronic communications with shareholders.

Enclosed with the notice of meeting is a letter setting out further information on how, subject to the passing of this resolution, the Company intends to take advantage of these new powers. Also enclosed is a communications card (attached to the proxy documentation) which offers shareholders the following options:

(i) to elect to access documentation directly from the Company's website. To do this they will be asked to provide a valid e-mail address, to which notification that shareholder documents have been posted on the Company's website will be automatically sent out; or

(ii) to elect to access documentation directly from the Company's website, but be notified by post; or

(iii) to elect to continue to receive hard copy documents in the post.

In the event that shareholders fail to respond with an election by 17 August 2007, they will be deemed to have consented to option (ii) and receive electronic communication and the Company will advise them when documents are placed on the Company's website by sending a hard copy notification in the post.

As Special Resolutions

Resolution 9: Authority to allot securities for cash other than on a pro-rata basis to shareholders. The effect of this resolution is to renew the power conferred on the directors by article 4(C) of the articles of association to allot equity securities for cash (or sell treasury shares) up to an amount representing approximately 5 per cent of the issued ordinary share capital of the Company as at 1 June 2007, without the need first to offer such shares to existing shareholders. The authority will continue for a period of 15 months or until the conclusion of the next AGM, whichever is the sooner.

Resolution 10: Purchase of own shares. The Company was authorised at the 2006 AGM to purchase up to 10 per cent of its shares in the market. This authority has not been used and expires at the conclusion of this year's AGM. This resolution seeks to renew the authority for a further year. Shares purchased (if any) will be cancelled or where appropriate held in treasury pursuant to the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003. The directors have no present intention of using this authority, but wish to be in a position to act quickly in the interests of the Company and shareholders generally if circumstances so warrant.

As at 1 June 2007 there were options over 1,215,000 ordinary shares in the capital of the Company which represent 1.6 per cent of the Company's issued ordinary share capital at that date. If the authority to purchase the Company's ordinary shares was exercised in full, these options would represent 1.83 per cent of the Company's issued share capital.

By order of the board

Clive E Revett
Company secretary
24 May 2007

The Company aspires to achieve high standards of corporate governance in order to promote the interests of investors, customers, staff and other stakeholders. The Company considers that it has complied during the 52 week period ending on 31 March 2007 with the Code provisions set out in Section 1 of the Combined Code on Corporate Governance published by the Financial Reporting Council in July 2003, 'the Code' by applying the principles set out in Section 1 of the Code, including both the main and supporting principles. The Code was amended by the Financial Reporting Council in June 2006, and the Company has complied with the three amended principles by providing the facility for shareholders to record a 'vote withheld' on the proxy voting form for the 2006 AGM, and subsequently publishing on its website details of the proxy votes lodged. Until January 2007 the chairman, Ian Peacock, attended meetings of the remuneration committee at their invitation. Following that date he become a member of the remuneration committee thereby complying with the third amended principle of the revised Code.

The board

The board provides the leadership of the Mothercare plc business. It operates on a unitary basis and comprises the chairman, three independent non-executive directors, and two full time executive directors, being the chief executive and the finance director. Whilst the board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness, the non-executive directors play a pivotal role in challenging and scrutinising its effectiveness and integrity. The Company has maintained a system of internal control within an executive management structure with defined lines of responsibility and delegation of authority within prescribed financial and operational limits. The Company's 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. Planning, budgeting and forecasting procedures are also in place together with formal capital investment and appraisal arrangements.

Risk management

The business review sets out progress made during the year against the challenges that the board has set for the business. In this section the principal risks and uncertainties that face the business are set out. This section also forms part of the business review requirements.

The board recognises that the management of risk is key to ensuring that a robust system of internal control is monitored by the business.

The principal risks and uncertainties facing the Company include those set out below. It should be borne in mind that this is not an exhaustive list and that there may be other risks that have not been considered or risks that the board consider are insignificant or immaterial that may arise and have a larger effect than originally expected.

External risks

- the failure to adapt quickly or at all to competitive pressure, new entrants to the Company's markets, or to product ranging or pricing pressures;
- a failure to react to economic pressures or consumer confidence issues affecting the Company's core customers in the UK, particularly from a reduction in disposable income caused by, amongst other things, increases in personal and indirect taxation, interest rate movements and the availability of consumer credit;
- adverse movements in exchange rates. The Company is potentially vulnerable to adverse movements in exchange rates as it pays for a large proportion of its goods in foreign currency. Whilst the Company hedges the exposure there is no guarantee that the hedges will be appropriate to cover all likely exposure; and
- with the continued expansion of the Company's international franchise operations through 328 stores in 38 countries, the Company is becoming increasingly recognised as a worldwide brand for parenting. This growing international exposure brings some risk, commercially in potential for default in payment of amounts due on royalties and goods supplied, as well as political restrictions on remittance of funds to the UK or refusal to enforce the Company's intellectual property against infringers.

Internal risks

- the Company's reputation for quality, safety and integrity may be seriously undermined by adverse press or regulatory comment on aspects of its business both in the UK and overseas. To this end, the Company takes all reasonable care to safeguard its reputation, particularly in product manufacture and supply areas, by maintaining appropriate risk mitigation actions and policies of insurance. The Company also engages independent third parties to validate critical areas of its manufacturing and supply chain for compliance with its ethical code;
- any disruption to the relationship with key suppliers could adversely affect the Company's ability to meet its sales and profit plans if suitable alternatives could not be found quickly; and
- the failure of the Company's logistics, distribution and information technology platform may restrict the ability of the Company to make product available in its stores and Direct businesses thereby failing to meet customer expectations and thereby adversely affecting sales and profits.

Against this background, the system of internal control is designed to manage rather than eliminate risks. Consequently the Company may have a higher risk profile than some of its peers.

In order to effectively manage risk, the executive committee have overall responsibility for ensuring that a rolling programme of

structured risk assessments of those areas having a significant effect on the future of the business is carried out. The programme ensures so far as practicably possible, that the appropriate risk management processes are identified, appropriate controls established, residual risks evaluated and that the necessary action and risk avoidance measures taken or monitoring undertaken. Elements of the programme are reviewed by the internal audit function during the year.

In addition to the evaluation of business risk referred to above, the programme of specific risk management activity continued during the year with individual stores being tested against a risk assessment model that emphasises health and safety, disability discrimination, fire safety and internal process compliance. The Company's business continuity and disaster recovery plans were tested during the year simulating the denial of access to key business premises.

The internal audit function (a combination of internal resources and external resource provided by PricewaterhouseCoopers LLP) supplements the risk-based approach set out above. Furthermore, the Company has adopted procedures to ensure auditor independence, the details of which are set out in the section below detailing the work of the audit committee.

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

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.

The principles of good governance are briefly commented on below:

The board and directors

The board of Mothercare plc meets regularly and maintains overall control of the group's affairs through a schedule of matters reserved for its decision. These include setting the group strategy, the approval of the annual budget and financial statements, major acquisitions and disposals, authority limits for capital and other expenditure and material treasury matters. Details of the terms of reference of the board's committees are also set out in the corporate governance section of the Company's website at www.mothercare.com/investorinfo.

The non-executive directors are independent and free from any business or other relationship that could interfere materially with their judgement. The non-executive directors do not participate in any bonus, share option or pension scheme of the Company. The chairman's other business commitments are set out in the biographical details on page 20 and there have been no significant changes during the period relating to these commitments.

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

The board is assisted by committees that it has established with written terms of reference. The roles of the remuneration, audit and nomination committees are set out below. During the year, the audit, remuneration and nomination committees were comprised of the three non-executive directors. A record of the meetings held during the year of the board, its committees and the attendance by individual directors is set out on page 27.

The board has delegated day-to-day and business management control of the Mothercare business to the executive committee. The executive committee consists of the directors of Mothercare UK Limited and the company secretary.

Throughout the period, the board has been supplied with information and papers submitted at each board meeting which ensures that the major aspects of the group's affairs are reviewed regularly in accordance with a rolling agenda and programme of work. All directors, whether executive or non-executive, have unrestricted access to the company secretary and executives within the businesses 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. Appropriate time is made during the year for continuing training on relevant topics concerning the functioning of the board and the obligations of directors. The Company has undertaken to reimburse legal fees to the directors if circumstances should arise in which it is necessary for them to seek separate, independent, legal advice in furtherance of their duties. In accordance with the articles of association, one third of the directors are required to offer themselves for re-election every year.

The remuneration committee, chaired during the year by David Williams, establishes the remuneration policy generally, approves specific arrangements for the executive directors and reviews and comments upon the proposed arrangements for senior executives so as to ensure consistency within the overall remuneration policy. Full disclosure of the Company's remuneration policy and details of the remuneration of each director is set out in the remuneration report on pages 28 to 35 and in Appendix A on pages 32 to 35. During the period no director was, and procedures are in place to ensure that no director is, involved in deciding or determining his or her own remuneration.

The nomination committee, chaired during the year by Ian Peacock, comprises all of the non-executive directors. The terms of reference of the committee is set out on the Company's website. The committee makes proposals on the size, structure, composition and appointments to the board. It carries out the selection process and agrees the

terms of appointment of non-executive directors. It also reviews succession planning on an annual basis.

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

During the period, the board carried out a further evaluation of its effectiveness and operation. The review concluded that the board, its committees and individual directors contributed effectively to the overall operation and review of the Company's affairs.

Shareholder relations

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

Mindful always of its obligations to the investing community as a whole, the Company reaches a wider audience by the use of its website (at www.mothercare.com/investorinfo) 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.mothercare.com/investorinfo or by the provision of a reply-paid question service to the chairman.

The audit committee

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

The audit committee comprises the three non-executive directors. The company secretary acts as secretary to the committee. Bernard Cragg is a chartered accountant with considerable technical financial and, in common with the remainder of the committee, a wide and varied commercial experience.

The committee met four times during the period. No specific remuneration of the non-executive directors is ascribed to membership of the audit committee other than a supplement of £5,000 paid to Bernard Cragg in respect of his chairmanship of the committee.

The main activities of the audit committee in the 52 weeks ended 31 March 2007

During the period the audit committee has:

- reviewed the financial statements both in the interim report and full year report and accounts, having in both cases received a report from the external auditors on their review and audit of the respective reports and accounts;
- considered the output of the procedures used to evaluate and mitigate risk within the group;
- reviewed the effectiveness of the group's internal controls and disclosures made in the annual report;
- considered the management letter from the external auditors on their review of the effectiveness of internal control;
- agreed the fees of the external auditors;
- reviewed both their and the external auditors' effectiveness;
- agreed the work plan of the internal audit function and reviewed the resultant output from that plan; and
- reviewed and assessed the group's compliance with corporate governance principles.

The audit committee reviews annually the independence of the external audit firm and the individuals carrying out the audit by receiving assurances from, and assessing, the audit firm against best practice principles. The committee seeks to balance the benefits of continuity of audit personnel and the need to assure independence through change of audit personnel by agreeing with the audit firm staff rotation policies.

In addition, a policy in respect of non-audit work by the audit firm has also been implemented, the general principle being 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 Company has, however, recognised that taxation advice is an acceptable derogation from this principle. Furthermore, the audit committee also determined that

assistance with aspects of the proposed acquisition of Chelsea Stores Holdings Limited was also an appropriate derogation from the principle set out above.

With regard to internal audit, 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.

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

As a result of its work during the year, the committee has concluded that it has acted in accordance with its terms of reference and has ensured (as far as possible by enquiry of them) the independence of the external auditors. The chairman of the committee will be available at the AGM to answer any questions on the work of the committee.

Director attendance statistics for the 52 week period ended 31 March 2007

		Committee		
Director	Board	Audit	Nomination	Remuneration
Maximum number of meetings	9	4	1	6
Ian Peacock	9	4	1	6
Karren Brady	8	4	1	6
Bernard Cragg	8	4	1	6
Ben Gordon	9	–	–	–
David Williams	9	4	1	6
Neil Harrington	9	–	–	–

Notes:
Ben Gordon and Neil Harrington attend meetings of the audit and remuneration committees upon the invitation of the respective chairmen. Ian Peacock became a member of the remuneration committee in January 2007 prior to which he attended meetings of that committee, and the audit committee throughout the year, at the invitation of the respective chairmen.
In addition to the board meetings above there were four ad hoc board meetings, two of which approved the interim and full year report and accounts respectively. Two further committee meetings considered matters delegated to them. These meetings are constituted by the board from those members available at that time having considered the views of the whole board beforehand.

This report for the 52 week period ended 31 March 2007 has been prepared in accordance with Schedule 7A of the Companies Act 1985, the Directors' Remuneration Regulations 2002 (the 'Regulations'), the requirements of the Listing Rules of the UK Listing Authority and Schedule B to the Combined Code relating to directors' remuneration. At the AGM on 19 July 2007 shareholders will be asked to approve this report.

The Regulations require the auditors to report on the 'auditable part' of the directors' remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with Schedule 7A of the Companies Act 1985 (as amended by the Regulations). The directors' share options, long term incentive plan and share matching scheme conditional awards, equity incentive awards, performance share plan and executive incentive plan conditional awards (including that set out in Appendix A on page 32), emoluments and compensation payments as set out in Table 1 and pension arrangements set out in Table 2 of Appendix A have therefore been audited.

The remuneration committee

Composition of the remuneration committee

The remuneration committee is comprised of the independent non-executive directors of the Mothercare plc board. David Williams is chairman of the committee and with Karren Brady and Bernard Cragg served throughout the year. Ian Peacock attended meetings at the invitation of the committee until January 2007 when he became a member.

The committee, which determines the remuneration for the executive directors and approves the pay and benefits of the members of the executive committee, met six times during the year. Its terms of reference are available on the Mothercare website at www.mothercare.com/investorinfo.

Advisors to the remuneration committee

The organisations below have provided material assistance to the remuneration committee. The committee also consulted the chief executive, human resources director and company secretary as appropriate.

Person or organisation	Services provided
Kepler Associates	Executive remuneration and incentive design
Lane Clark & Peacock	Pensions advice
DLA Piper UK LLP	Legal services principally in respect of employment contracts

Remuneration policy statement

The Company's policy is to provide competitive remuneration packages that will recruit, retain and motivate directors and individuals of the required calibre to meet the Company's objectives.

The intent is to ensure that the remuneration policy is in line with market practice, appropriate to the Company's needs, and rewards executives for enhancing shareholder value. The committee monitors the Company's compliance with the Revised Combined Code provisions for directors' and senior management remuneration and with best practice in applying performance-related remuneration.

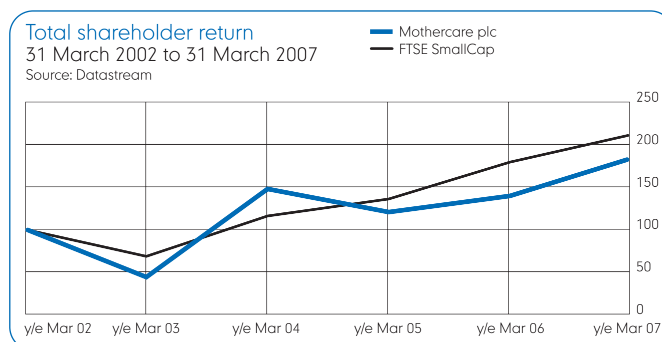
The remuneration policy aims to balance appropriately the fixed salary and performance-related elements of remuneration. The latter element is achieved through an annual bonus scheme and longer term incentives. The bonus plan rewards primarily the achievement of Company profit before tax, a measure which the board believes is a suitable measure of annual performance for a retail business, and personal/strategic performance objectives. Longer term performance remuneration is delivered through equity-based incentives including the Executive Incentive Plan (EIP), Performance Share Plan (PSP), Long Term Incentive Plan (LTIP) and the Share Matching Scheme (SMS). The remuneration policy is structured such that variable, performance-related, remuneration is a significant portion of total remuneration.

The committee normally reviews the executive directors' remuneration annually, against a policy that positions base salaries around the median of companies that are similar to Mothercare in sector focus, size and complexity. Variable elements of the package, designed to attract and motivate outstanding performance and delivery, give executive directors the opportunity to earn an overall upper quartile total remuneration package, for top quartile performance. Details of the individual executive directors' remuneration, are described in the relevant sections of this report below.

Performance graph

The performance graph below shows the Company's total shareholder return (TSR) against the return achieved by the FTSE Small Cap Index. The graph shows the five financial years to 31 March 2007.

The index was chosen on the basis that Mothercare is a constituent of the FTSE Small Cap Index.



Directors' remuneration

The executive directors' fixed annual remuneration comprises a base salary, which is normally reviewed in April each year, and benefits. The variable remuneration element is achieved through an annual bonus scheme, participation in the Executive Incentive Plan and Performance Share Plan. The Executive Incentive Plan and Performance Share Plan were introduced in 2006 and replaced the Long Term Incentive Plan, Share Matching Scheme, and Executive Share Option Scheme. With the exception of the Save As You Earn share option scheme, which is open to all employees including executive directors, the Company made no awards under any other long term incentive scheme.

The remuneration of the non-executive directors comprises fixed annual fees. Expenses incurred on Company business are reimbursed when claimed.

Salary

Each executive director's salary is considered individually by the remuneration committee following advice from the independent remuneration consultants. Base salary is the only element of remuneration used in determining pensionable earnings under the Mothercare executive pension scheme.

Annual bonus

The annual bonus scheme for executive directors and other senior managers is paid upon the achievement of Company financial targets set annually by the remuneration committee. In addition, personal targets linked to key business objectives must also be met if an executive director is to achieve the maximum bonus. The maximum annual bonus that may ordinarily be paid to an executive director is 85 per cent of base salary (100 per cent for the CEO), although the maximum bonus would be payable only in the event of exceptional performance.

Ben Gordon and Neil Harrington received performance-related bonuses of £475,000 and £169,147 respectively for the year ended 31 March 2007.

Profit share scheme

In addition to the annual bonus scheme, the Company operates a profit share scheme. All Company employees (other than participants in the annual bonus scheme) with at least six months' service are eligible to participate in this scheme.

The Performance Share Plan

Under the PSP, conditional awards of shares may be made to selected executives, as determined by the remuneration committee, each year. The first conditional awards were made to 40 executives in July 2006 as nil-cost options. Details of the awards to Ben Gordon and Neil Harrington are set out in Appendix A on page 32.

Vesting of shares to an individual is conditional upon the achievement of the performance condition of three-year growth in group PBT. 20 per cent of an award will vest if Mothercare's three-year PBT growth is 5 per cent per annum. 100 per cent of an award will vest if Mothercare's three-year PBT growth is 15 per cent per annum, with straight-line vesting in between. Dividends accrue on shares that vest. If the performance threshold of 5 per cent PBT growth is not met the award will lapse. PBT was chosen as the remuneration committee believes that PBT is a good measure of Mothercare's financial performance; it is highly visible internally, and is regularly monitored and reported.

The Executive Incentive Plan (EIP)

Under the EIP, approximately ten executives are eligible to receive a percentage of surplus value created over a three-year performance period. Surplus value created is defined as an increase in market capitalisation plus net equity cash flows to shareholders over and above performance in line with the FTSE All-Share General Retailers Index (Index). If the Company's TSR is equal to or less than the increase in the Index, participants will not receive any value from the EIP. If the Company's TSR performance exceeds the increase in the Index, participants will be entitled to receive some value. In these circumstances, the committee will calculate a surplus value figure being the positive difference between the Company's TSR and the increase in the Index, expressed as a monetary value. The bonus to which the participant will be entitled will be a percentage of the surplus value figure. The remuneration committee has the discretion to defer up to 50 per cent of any bonus paid into a share award which would vest on the fourth anniversary of the grant of the original award. Details of the initial awards granted to participants are set out in Appendix A on page 32. The committee believes that this performance condition provides very strong alignment with shareholders and will help retain a high performing management team.

The LTIP and SMS

Following approval of the new EIP and PSP, no further conditional awards under the LTIP, SMS, or Executive Share Option Scheme have been made to EIP or PSP participants.

The LTIP

The extent to which outstanding LTIP awards will vest depends partly upon the Company's TSR performance relative to all general retailers in the Mid 250 and SmallCap indices, and partly upon the achievement of EPS targets as shown in the table in Appendix A on page 32. The targets are measured over a three-year period. If the performance criteria are not met the award lapses. The performance targets for the awards made to date are shown in Appendix A on page 32. No part of an award subject to EPS will vest unless the Company's TSR performance is above median relative to general retailers in the Mid 250 and SmallCap indices.

The SMS

Under this scheme, executives who invested in the Company's shares and retain those shares for at least three years may receive matching shares if long term performance targets are achieved.

Executives were invited to invest up to 100 per cent of pre-tax basic salary in previous years into the Share Matching Scheme.

Executives' investments may be matched on a 1:1 basis after three years, provided executives remain in employment, retain the shares they purchased for three years and the performance targets (set out in Appendix A) are achieved over a three-year period. The performance targets for matching awards are the same as for the LTIP awards. If the performance criteria are not met over the three-year period the award lapses. The matching ratio is calculated using the pre-tax value of the purchased shares in the case of sums derived from the annual bonus, deferred shares or the long term incentive plan, or the actual value of the shares already owned and pledged.

The conditional awards made and vestings to date to executive directors under the LTIP, SMS and pledged shares are set out in Appendix A on page 34.

The remuneration committee notes that it was expected that the 1 June 2004 conditional award under the LTIP and SMS was unlikely to vest.

Executive Share Option Scheme

The Mothercare plc 2000 Share Option Plan

Following approval of the PSP no options were granted under the share option plan to PSP participants during the year. Options under the Mothercare 2000 Share Option Plan may be exercised by participating executives if EPS growth over a three-year performance period equals or exceeds the growth in the Retail Prices Index by 9 per cent. If the performance criteria are not met over the performance period, option grants lapse.

Details of historical option grants to executive directors' are set out in Appendix A on page 34.

Equity incentive awards

On 2 December 2002, Ben Gordon was awarded 500,000 ordinary shares in the Company, subject to the achievement of the performance conditions. The vesting performance conditions for 60 per cent of these shares was share price growth. 100,000 shares would vest if the Company's share price remained at or above levels of, (1) 200p, (2) 300p and (3) 400p (respectively) per share for at least three months. For the remaining 40 per cent of shares to vest the performance conditions were: profit before tax and exceptional items of, (4) £15 million and (5) £30 million achieved by the end of the Company's financial year in 2007.

Having vested on the achievement of a performance criterion, shares were or will be released to Ben Gordon in tranches on the second, third, fourth and fifth anniversaries of 2 December (as appropriate) in proportions that release the entirety of any tranche of shares attached to a performance condition achieved by the fifth anniversary. Varying proportions of the award will vest and be released to the extent that performance conditions have been met, if there is a change in control of the Company before 2 December 2007. Ben Gordon will also be able to retain that proportion of the award that has vested, in the event that the Company terminate his employment (other than for cause) or the Company is in fundamental breach of his employment contract.

On the first vesting date (2 December 2004) Ben Gordon had met three of the five performance criteria. The table below sets out the shares transferred and transferable to Ben Gordon in the future (subject to, amongst others, his continued employment). The remaining two performance conditions have not been met and therefore lapsed.

	Award		Number of shares released (on 2 December each year)			
Condition	Met	No. of shares	2004	2005	2006	2007
1.	Yes	100,000	50,000[1]	25,000[1]	15,000[1]	10,000[1]
2.	Yes	100,000	50,000[1]	25,000[1]	15,000[1]	10,000[1]
3.	No	100,000	0	0	0	0
4.	Yes	100,000	25,000[1]	25,000[1]	25,000[1]	25,000[1]
5.	No	100,000	0	0	0	0
Total		500,000	125,000	75,000	55,000	45,000

1 For two performance conditions being met, 50 per cent vests on the second anniversary, 25 per cent on the third anniversary, 15 per cent on the fourth anniversary and 10 per cent on the fifth anniversary subject to continued employment at the relevant date. For any additional performance condition being met, 25 per cent vest at each anniversary, subject to continued employment at the relevant date.

Shareholding guidelines

Executive directors are expected to build up a shareholding equal to 100 per cent of their basic salaries by retaining at least half of the post-tax gains made under any long term incentive in Mothercare shares.

Service contracts

Executive directors

Executive directors' service contracts may be terminated by the Company giving 12 months' notice.

Ben Gordon commenced employment with the Company on 2 December 2002. His service agreement provides for liquidated damages on termination by the Company for basic salary equivalent to the unexpired portion of the notice period and the fair value of the benefits to which he may be entitled, including pension credits but not bonus or share options. Separate provisions govern the entitlement to the equity incentive award and are described in the section above.

Neil Harrington commenced employment with the Company on 30 January 2006. His service contract may be terminated upon 12 months' notice.

Non-executive directors

Ian Peacock is entitled to three months' salary on termination of his employment contract dated 31 October 2002 by the Company. Karren Brady, Bernard Cragg and David Williams have service arrangements with the Company that may be terminated upon one month's notice. Their service arrangements were entered into on 29 July, 31 March 2003 and 2 July 2004 respectively.

External appointments and other commitments of the directors.

The other business commitments of the directors are set out within their biographical details on page 20. An executive director may take one external appointment as a non-executive director, subject to the approval of the board. The director may retain any fees from such a role. Neither of the executive directors currently has such an appointment.

Pension arrangements

Ben Gordon and Neil Harrington are members of the Mothercare Executive Pension Scheme. Ben Gordon's pension accrues at the rate of 1/30th of salary for each year of pensionable service up to Inland Revenue Limits. The normal retirement age is 60 years, increasing to 65 years for service accruing post 1 April 2007. Contributions by Ben Gordon are 7 per cent of pensionable salary. Neil Harrington participates in the pension builder career average section of the Mothercare Executive Pension Scheme. Pension accrues at 1/45th of pensionable salary. The normal retirement age is 65 years. Contributions by Neil Harrington are at 5 per cent of pensionable salary.

Following the introduction of the simplified tax regime for UK pensions that came into force on 6 April 2006 (A-day), the committee reviewed the impact of pension provision on key executives of the introduction of the lifetime allowance and the removal of the statutory earnings cap. In order to control the cost of pensions, the Company agreed with the trustees of the Executive Pension Scheme the introduction of a notional earnings cap, equivalent to the previous statutory earnings cap. In addition, given that there are no longer benefits for the Company or the individual of maintaining the existing FURBS arrangements, the Company agreed to close the existing FURBS arrangements. Those directors and senior executives subject to the earnings cap and who participated in the FURBS arrangements now receive a cash salary supplement equivalent to the former FURBS payment for investment in an investment vehicle of their own choice. Further pension detail is given in Table 2 of Appendix A on page 33.

For further details of the pension provision within the Company during the year, see the directors' report on page 22.

For further details on the cost of pensions to the Company, including the statements required by IAS 19, see note 31 to the financial statements on pages 66 to 68.

Emoluments and compensation payments

The emoluments (including pension contributions) for executive directors for the year ended 1 April 2007 and the salaries paid to the management level below the board are set out in Tables 1A and 1B of Appendix A on page 32.

The fees of the non-executive directors are determined by the board, with the non-executive directors abstaining from discussions on their own arrangements. The non-executive directors do not participate in the Company pension, annual bonus plan, share option or other long term incentives. Fees are reviewed periodically and set at levels to reflect the time, commitment and responsibilities of the individual non-executive director.

Beneficial interests of the directors

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

	Interest held at 31 March 2007 (number)	Interest held at 1 April 2006 (number)
Ian Peacock	**178,383**	169,860
Ben Gordon	**362,458**	269,362
Karren Brady	**11,375**	4,500
Bernard Cragg	**20,000**	20,000
David Williams	**11,800**	6,800
Neil Harrington	**11,633**	5,000

Ian Peacock and David Williams are shareholders and directors of Mothercare Employees' Share Trustee Limited, which held 13,151 (2006: 13,151) Mothercare shares in trust on 1 April 2007. A separate trust, The Mothercare Employee Trust, held 3,275,622 shares on 1 April 2007 (2006: 3,631,004).

The executive directors are technically deemed to be interested in all of the shares held by Mothercare Employees' Share Trustee Limited and the Mothercare Employee Trust as potential beneficiaries.

There have been no movements in directors' interests, beneficial or non-beneficial, between 1 April 2007 and 24 May 2007.

Approved by the board on 24 May and signed on its behalf by:

David Williams
Chairman, remuneration committee

APPENDIX A

Table 1A

Directors' emoluments

Total emoluments (including pension contributions) in the year ended 31 March 2007 were £3,391,000 (2006: £1,664,000).

	Salary/fees £000		Incentive scheme vesting £000		Performance bonus £000		Benefits £000		Compensation for loss of office £000		Total remuneration (excl. pensions) £000		Pension contributions £000	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Executive directors														
Ben Gordon	**475**	375	**1,754**	266	**475**	302	**13**	13	**–**	–	**2,717**	956	**33**	32
Steven Glew	**–**	158	**–**	–	**–**	–	**–**	11	**–**	100	**–**	269	**–**	22
Neil Harrington	**216**	35	**–**	–	**169**	22	**11**	2	**–**	–	**396**	59	**33**	5
Non-executive directors														
Ian Peacock	**110**	110	**–**	110	**–**	–	**1**	–	**–**	–	**111**	220	**–**	–
Karren Brady	**32**	32	**–**	–	**–**	–	**–**	–	**–**	–	**32**	32	**–**	–
Bernard Cragg	**37**	37	**–**	–	**–**	–	**–**	–	**–**	–	**37**	37	**–**	–
David Williams	**32**	32	**–**	–	**–**	–	**–**	–	**–**	–	**32**	32	**–**	–

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

The salary for Ben Gordon was reviewed with effect from 1 April 2007 and is now £500,000 per annum. In addition, the sum of £82,170 is paid as salary supplement referred to in page 31 following the discontinuance of the FURBS scheme.

The salary for Neil Harrington was reviewed with effect from 1 April 2007 and is now £226,800. In addition, the sum of £27,000 is paid as a salary supplement following the discontinuance of the FURBS scheme. The fees payable to Ian Peacock, Karren Brady, David Williams and Bernard Cragg were increased to £125,000 per annum, £37,500 per annum, £37,500 per annum and £42,500 per annum respectively, on 1 April 2007.

The details required by paragraph 1 of Schedule 6 part 1 of the Companies Act 1985 are as follows:

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	2007 £000	2006 £000
Emoluments	**1,997**	1,129
Compensation for loss of office	**–**	100
Gains on exercise of share options	**–**	993
Amounts receivable under long term incentive schemes	**1,754**	376
Money purchase pension contributions	**175**	82
Total	**3,926**	2,680

Table 1B

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

Salary band	**2007**	2006
200,001–250,000	**1**	–
150,001–200,000	**1**	2
100,001–150,000	**4**	6
75,001–100,000	**1**	–
50,001– 75,000	**1**	–

Table 2

Pensions

The disclosure of the directors' benefits accrued in the Mothercare Executive Pension Scheme and money purchase benefits under the appropriate funded unapproved retirement benefits scheme are set out below:

	Defined benefits for Final Salary Scheme									Money purchase
	Accrued benefits in Mothercare Executive Pension Scheme					Transfer value as at* 31 March 2007				Company contributions
	At 1 April 2006	Change during year	At 31 March 2007	Change during year net of inflation	Transfer value of change in year net of inflation	1 April 2006	Change during year	Director contributions	31 March 2007	
Ben Gordon	12	3	15	3	–	132	44	11	187	82
Neil Harrington	1	3	4	3	–	4	18	8	30	27

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

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

Directors' share options

Director	1 April 2006	Granted/ (lapsed) during year	Grant/(lapse) date	Exercise price (pence)	First exercise date	Last exercise date	Exercise date	Gains on exercise 2007	1 April 2007
Ben Gordon	312,500	–	6 Dec 2002	104.00	6 Dec 2005	6 Dec 2012		–	312,500
	5,951[1]						1 Dec 2006	–	0
Total	318,451	–						–	312,500

Notes:
1. Options granted under the three-year SAYE option scheme.
The options set out above are granted without payment from a participant.
Share price details are shown on page 76.
Performance conditions are set out in the narrative above.
No variations have been made to the terms and conditions of existing options in the current or previous years.
No options were exercised in the year.

Performance Share Plan

Conditional awards made to the executive directors under the PSP are as follows:

Director	1 April 2006	Granted/ (lapsed) during year	Grant/(lapse) date	Vesting date	Vested during year	Gains on exercise 2007	31 March 2007
Ben Gordon	–	138,483	25.07.06	25.07.09	–	–	138,483
Total	–	138,483			–	–	138,483
Neil Harrington	–	45,918	25.07.06	25.07.09	–	–	45,918
Total	–	45,918			–	–	45,918

The above awards were made as nil-cost options.

Executive Incentive Plan

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

	Percentage of surplus value to which participant entitled	
Surplus value	Ben Gordon	Neil Harrington
£0 million to £50 million	1.0%	0.4%
£50 million to £75 million	1.5%[1]	0.6%[1]
Over £75 million	2.0%[2]	0.8%[2]

1. Percentage applies only above £50 million.
2. Percentage applies only above £75 million.

Long Term Incentive Plan

The conditional awards made to directors under the LTIP are as follows:

Director	Conditional award date	LTIP conditional award number	Vested 2007	Lapsed 2007	Initial share price	Market price on vesting	Performance period
Ben Gordon	21 July 2003	402,477	362,230	(40,247)	161.5p	342.0p	01.04.03 – 31.03.06
	1 June 2004	103,236	–	–	350.0p		27.03.04 – 26.03.07
	23 June 2005	86,193	–	–	291.5p		27.03.05 – 26.03.08
Total		591,906	362,230	(40,247)			

Details of the directors' shares pledged and matched under the SMS are as follows:

Director	Conditional award date	Directors' pledged shares and SMS conditional award	Vested 2007	Lapsed 2007	Market price on vesting	Pledge period
Ben Gordon	21 July 2003	100,619	90,558	(10,061)	342.0p	01.04.03 – 01.04.06
	1 June 2004	49,425	–	(21,675)		27.03.04 – 26.03.07
	23 June 2005	21,675	–	–		27.03.05 – 26.03.08
Total		171,719	90,558	(31,736)		

Performance criteria for the Long Term Incentive Plan and Share Matching Scheme

The performance targets for the LTIP and SMS schemes in respect of total shareholder return (TSR) are as follows:

LTIP

Total shareholder return ranking percentage	Percentage of award vesting
Top 20%	50%
Median	10%
Median to top 20%	10% to 50% (pro rata, on a straight-line basis)
Below median	Nil

Note:
No part of the awards subject to EPS will vest unless the Company's TSR performance has been above median relative to all general retailers in the FTSE Mid 250 and SmallCap indices.

SMS

Total shareholder return over three years ranking percentage (relative to general retailers in Mid 250 and SmallCap)	Ratio of free shares to purchased shares
Top 20%	5:10
Median	1:10
Median to top 20%	1:10 to 5:10 (Pro rata on a straight-line basis)
Below median	Nil

Note:
No part of the awards subject to EPS will vest unless the Company's TSR performance has been above median relative to all general retailers in the FTSE Mid 250 and SmallCap indices.

The performance targets for the LTIP and SMS schemes in respect of Earnings Per Share (EPS) are as follows:

LTIP

Percentage of award vesting	EPS in 2005/06 for 2003 awards	EPS in 2006/07 for 2004 awards	EPS in 2007/08 for 2005 awards
50%	40p	42.1p	36.5p
10%	20p	32.3p	31.7p
10% to 50% (pro rata on a straight-line basis)	20p to 40p	32.3p to 42.1p	31.7p to 36.5p
Nil	Below 20p	Below 32.3p	Below 31.7p

Note:
EPS refers to pre-tax EPS.

SMS

Ratio of award vesting	EPS in 2005/06 for 2003 awards	EPS in 2006/07 for 2004 awards	EPS in 2007/08 for 2005 awards
5:10	40p	42.1p	36.5p
1:10	20p	32.3p	31.7p
1:10 to 5:10 (pro rata on a straight-line basis)	20p to 40p	32.3p to 42.1p	31.7p to 36.5p
Nil	Below 20p	Below 32.3p	Below 31.7p

Note:
EPS refers to pre-tax EPS.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements. The directors are required to prepare financial statements for the group in accordance with International Financial Reporting Standards (IFRS). Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. The directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

The directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Independent auditors' report

To the shareholders of Mothercare plc

We have audited the group financial statements of Mothercare plc for the 52 weeks ended 31 March 2007 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and the related notes 1 to 33. These group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

We have reported separately on the individual Company financial statements of Mothercare plc for the 52 weeks ended 31 March 2007.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted for use in the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view, whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion,

the information given in the directors' report is consistent with the group financial statements.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statement on internal control cover all risks and controls, or form an opinion of the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any further information outside the annual report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the group financial statements and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements and the part of the directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements and the part of the directors' remuneration report described as having been audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of the group's affairs as at 31 March 2007 and of its profit for the 52 weeks then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the group financial statements.

Separate opinion in relation to IFRS:

As explained in note 2 to the financial statements, the group in addition to complying with its legal obligation to comply with IFRS adopted by the European Union, has also complied with IFRS as issued by the International Accounting Standards Board. In our opinion the group financial statements give a true and fair view, in accordance with IFRS, of the state of the group's affairs as at 31 March 2007 and its profit for the 52 weeks then ended.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
24 May 2007

Consolidated income statement

For the 52 weeks ended 31 March 2007

	Note	52 weeks ended 31 March 2007 Underlying[1] £ million	Non-underlying[2] £ million	Total £ million	53 weeks ended 1 April 2006 restated (note 2) Underlying[1] £ million	Non-underlying[2] £ million	Total £ million
Revenue	4	**498.5**	**–**	**498.5**	482.7	–	482.7
Cost of sales		**(448.8)**	**(1.8)**	**(450.6)**	(432.1)	0.3	(431.8)
Gross profit		**49.7**	**(1.8)**	**47.9**	50.6	0.3	50.9
Administrative expenses		**(28.7)**	**(2.1)**	**(30.8)**	(31.1)	–	(31.1)
Profit from retail operations	7	**21.0**	**(3.9)**	**17.1**	19.5	0.3	19.8
Profit on disposal of property interests		**–**	**0.2**	**0.2**	–	2.9	2.9
Profit from operations		**21.0**	**(3.7)**	**17.3**	19.5	3.2	22.7
Investment income	8	**1.7**	**–**	**1.7**	1.8	–	1.8
Finance costs	9	**(0.1)**	**–**	**(0.1)**	(0.3)	–	(0.3)
Profit before taxation		**22.6**	**(3.7)**	**18.9**	21.0	3.2	24.2
Taxation	10	**(5.8)**	**1.4**	**(4.4)**	(6.5)	(0.2)	(6.7)
Profit for the period attributable to equity holders of the parent		**16.8**	**(2.3)**	**14.5**	14.5	3.0	17.5
Earnings per share							
Basic	12	**24.2p**	**(3.3)p**	**20.9p**	21.2p	4.3p	25.5p
Diluted	12	**23.7p**	**(3.2)p**	**20.5p**	20.7p	4.3p	25.0p

1. Before items described in note 2 below.
2. Includes exceptional items (reorganisation of Direct distribution, restructuring and profit on disposal of property interests) as set out in note 6 to the financial statements and the impact of fair value accounting under IAS 39.

All results relate to continuing operations.

Consolidated statement of recognised income and expense

For the 52 weeks ended 31 March 2007

	52 weeks ended 31 March 2007 £ million	53 weeks ended 1 April 2006 £ million
Actuarial gains/(losses) on defined benefit pension schemes	**16.1**	(0.8)
IAS 39 adjustment transfers to profit and loss	**–**	0.1
Tax on items taken directly to equity	**(4.7)**	0.7
Net income recognised directly in equity	**11.4**	–
Profit for the period	**14.5**	17.5
Total recognised income and expense for the period attributable to equity holders of the parent	**25.9**	17.5
Changes in accounting policy to adopt IAS 32 and 39:		
Attributable to equity holders of the parent	**–**	(0.1)

Consolidated balance sheet

As at 31 March 2007

	Note	31 March 2007 £ million	1 April 2006 £ million
Non-current assets			
Property, plant and equipment	14	**85.4**	83.7
Intangible assets – software	15	**5.2**	4.0
Deferred tax asset	16	**0.2**	8.5
Retirement benefit obligations	31	**2.0**	–
		92.8	96.2
Current assets			
Inventories	17	**51.8**	50.8
Trade and other receivables	18	**42.3**	32.0
Cash and cash equivalents	19, 28	**40.1**	35.9
		134.2	118.7
Total assets		**227.0**	214.9
Current liabilities			
Trade and other payables	23	**(57.6)**	(51.3)
Current tax liabilities		**(0.2)**	(0.9)
Short term provisions	24	**(2.9)**	(3.7)
		(60.7)	(55.9)
Non-current liabilities			
Trade and other payables	23	**(14.8)**	(8.9)
Retirement benefit obligations	31	**–**	(17.5)
Long term provisions	24	**(0.5)**	(0.9)
		(15.3)	(27.3)
Total liabilities		**(76.0)**	(83.2)
Net assets		**151.0**	131.7
Equity attributable to equity holders of the parent			
Called up share capital	25	**36.6**	36.3
Share premium account	26	**3.1**	2.2
Own shares	26	**(7.4)**	(6.5)
Retained earnings	26	**118.7**	99.7
Total equity		**151.0**	131.7

Approved by the board on 24 May 2007 and signed on its behalf by:

Ben Gordon
Neil Harrington

Consolidated cash flow statement

For the 52 weeks ended 31 March 2007

	Note	**52 weeks ended 31 March 2007 £ million**	53 weeks ended 1 April 2006 restated (note 2) £ million
Net cash flow from operating activities	27	**27.5**	13.3
Cash flows from investing activities			
Interest received		**1.6**	1.8
Interest paid		**(0.1)**	(0.3)
Purchase of property, plant and equipment		**(18.5)**	(16.7)
Proceeds from property, plant and equipment		**1.4**	6.0
Net cash used in investing activities		**(15.6)**	(9.2)
Cash flows from financing activities			
Equity dividends paid		**(6.6)**	(5.5)
Issue of ordinary share capital		**1.2**	1.4
Purchase of own shares		**(2.3)**	(1.1)
Net cash used in financing activities		**(7.7)**	(5.2)
Net increase/(decrease) in cash and cash equivalents		**4.2**	(1.1)
Cash and cash equivalents at beginning of period		**35.9**	37.0
Cash and cash equivalents at end of period	28	**40.1**	35.9

1. General information

Mothercare plc is a company incorporated in Great Britain under the Companies Act 1985. The address of the registered office is given in the shareholder information on the inside back cover. The nature of the group's operations and its principal activities are set out in note 5 and in the business review on pages 5 to 19.

2. Significant accounting policies

Basis of presentation

The Company's accounting period covers the 52 weeks ended 31 March 2007. The comparative period covered the 53 weeks ended 1 April 2006.

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and those parts of the Companies Act 1985 that are applicable to companies reporting under IFRS. The financial statements have also been prepared in accordance with IFRS adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The results for the 52 weeks ended 31 March 2007 include the components of net pension expense, being the service cost, interest cost and expected return on assets, within administrative expenses and in arriving at profit from operations. In prior periods, pension interest cost was presented within finance costs and the expected return on assets was presented within investment income, outside of profit from operations. Both presentations are permitted under IAS 19 'Employee Benefits'.

The Company considers the presentation adopted in the results for the 52 weeks ended 31 March 2007 to be more appropriate as it ensures that the presentational impact of any ongoing variability between the individual components of net pension expense is reduced.

The prior period information has been represented on a comparable basis. The impact of this presentational adjustment for the 53 weeks ended 1 April 2006 is to reduce administrative expenses by £1.9 million, reduce investment income by £10.9 million and reduce finance costs by £9.0 million. The impact on the balance sheet and profit before taxation is nil.

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 7 'Financial Instruments: Disclosures'; and the related amendment to IAS 1 on capital disclosures;

IFRS 8 'Operating Segments';

IFRIC 4 'Determining whether an Arrangement contains a Lease';

IFRIC 5 'Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds';

IFRIC 6 'Liabilities arising from Participating in a specific market – Waste Electrical and Electronic Equipment';

IFRIC 7 'Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies';

IFRIC 8 'Scope of IFRS 2';

IFRIC 9 'Reassessment of Embedded Derivatives';

IFRIC 10 'Interim Reporting and Impairments';

IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions'; and

IFRIC 12 'Service Concession Arrangements'.

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the group except for the additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies are set out below.

Profit from retail operations

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

Underlying earnings

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

As the Company has chosen to present an alternative earnings per share measure, a reconciliation of this alternative measure to the statutory measure required by IFRS is given in note 12.

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

The adjustments made to reported results are as follows:

Exceptional items

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

2. Significant accounting policies continued

IAS 39 adjustment

The Company has taken the decision not to adopt hedge accounting under IAS 39, 'Financial Instruments: Recognition and Measurement'. The effect of not applying hedge accounting under IAS 39 means that the reported results reflect the actual rate of exchange ruling on the date of a transaction regardless of the cash flow paid by the group at the predetermined rate of exchange. In addition, any gain or loss accruing on open contracts at a reporting period end is recognised in the result for the period (regardless of the actual outcome of the contract on close-out). Whilst the impacts described above could be highly volatile depending on movements in exchange rates, this volatility will not be reflected in the cash flows of the group, which will be based on the hedged rate. The adjustment made by the group therefore is to report its underlying performance on the basis described above.

IAS 19 adjustment

In the 2006 interim report an IAS 19 non-cash adjustment was made between reported and underlying earnings to reflect the 'normal' pension cash contributions which the Company is required to make and therefore exclude the volatile IAS 19 charge. This adjustment to reported results is no longer considered appropriate due to a number of recent and significant changes to the pension scheme, further details of which are described in the financial review on page 12.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March 2007. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (ie discount on acquisition) is credited to profit and loss in the period of acquisition.

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

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

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

Retirement benefits

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

Goodwill

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

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

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

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 29 March 1997 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has passed.

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

Leasing

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

The group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred

in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the term of the leases.

The group as lessee

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

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

Foreign currencies

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

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement. Exchange differences arising on non-monetary items carried at fair value are included in the profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

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

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

Retirement benefit costs

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

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

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

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

Taxation

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

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

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

2. Significant accounting policies continued

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

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

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

Property, plant and equipment

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

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

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

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

Intangible assets – software

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

Impairment of tangible and intangible assets

At each balance sheet date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Inventories

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

Financial instruments

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

Trade receivables

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

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

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

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

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

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

Derivative financial instruments
The group uses derivative financial instruments, principally forward foreign currency contracts, to reduce its exposure to exchange rate movements. The group does not hold or issue derivatives for speculative or trading purposes.

Changes in the fair values are recognised in the income statement and this is likely to cause volatility in situations where the carrying value of the hedged item is either not adjusted to reflect fair value changes arising from the hedged risk or is so adjusted but that adjustment is not recognised in the income statement. Provided the conditions specified by IAS 39 are met, hedge accounting may be used to mitigate this income statement volatility.

The Company expects that hedge accounting will not generally be applied to transactional hedging relationships, such as hedges of forecast or committed transactions.

Where the hedging relationship is classified as a cash flow hedge, to the extent the hedge is effective, changes in the fair value of the hedging instrument will be recognised directly in equity rather than in the income statement. When the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in equity will be either recycled to the income statement or, if the hedged item results in a non-financial asset, will be recognised as adjustments to its initial carrying amount.

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

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

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

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

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

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

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

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

Inventory provisions
The Company reviews the market value of and demand for its inventory on a periodic basis to ensure recorded inventory is stated at the lower of cost or net realisable value. In assessing the ultimate realisation of inventories, the Company is required to make judgements as to future demand requirements and compare these with the current or committed inventory levels. Factors that could impact estimated demand and selling prices are the timing and success of seasonal clothing ranges.

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

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

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

Pension and other post-retirement benefits are inherently long term, and future experience may differ from the actuarial assumptions used to determine the net charge for 'pension and other post-retirement charges'. Note 31 to the consolidated financial statements describes the principal discount rate, earnings increase, and pension retirement benefit obligation assumptions that have been used to determine the pension and post-retirement charges in accordance with IAS 19. The calculation of any charge relating to retirement benefits is clearly dependent on the assumptions used, which reflects the exercise of judgement. The assumptions adopted are based on prior experience, market conditions and the advice of plan actuaries.

At 31 March 2007, the group's pension asset was £2.0 million, compared with a group pension liability of £17.5 million as at 1 April 2006.

Further details of the accounting policy on retirement benefits are provided in note 2.

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

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

4. Revenue

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

	52 weeks ended 31 March 2007 £ million	53 weeks ended 1 April 2006 restated (note 2) £ million
Revenue – sales of goods	**498.5**	482.7
Investment income	**1.7**	1.8
Total revenue	**500.2**	484.5

5. Segmental information

For management purposes, the group is currently organised into two operating segments: Mothercare UK and International. Mothercare UK comprises the UK store operations, catalogue and web sales. The International business comprises the group's franchise operations outside of the UK. These two segments are distinguished by the different nature of their risks and returns. It is considered that there are no secondary segments as all business originates in the UK.

Segmental information about the Mothercare UK and International businesses is presented below.

	52 weeks ended 31 March 2007			
	Mothercare UK £ million	**International £ million**	**Unallocated corporate expenses £ million**	**Consolidated £ million**
Revenue				
External sales	**411.4**	**87.1**	**–**	**498.5**
Result				
Segment result (underlying)	**19.3**	**8.1**	**(6.4)**	**21.0**
IAS 39 adjustment	**(1.3)**	**–**	**–**	**(1.3)**
Exceptional items (note 6)	**(2.4)**	**–**	**–**	**(2.4)**
Profit from operations	**15.6**	**8.1**	**(6.4)**	**17.3**
Investment income				**1.7**
Finance costs				**(0.1)**
Profit before taxation				**18.9**
Taxation				**(4.4)**
Profit for the period				**14.5**

5. Segmental information continued

	53 weeks ended 1 April 2006 restated (note 2)			
	Mothercare UK £ million	International £ million	Unallocated corporate expenses £ million	Consolidated £ million
Revenue				
External sales	414.6	68.1	–	482.7
Result				
Segment result (underlying)	20.9	5.3	(6.7)	19.5
IAS 39 adjustment	0.3	–	–	0.3
Exceptional items (note 6)	2.9	–	–	2.9
Profit from operations	24.1	5.3	(6.7)	22.7
Investment income				1.8
Finance costs				(0.3)
Profit before taxation				24.2
Taxation				(6.7)
Profit for the period				17.5

Corporate expenses not allocated to UK or International represent head office costs, board and senior management costs, insurance, annual and interim reporting costs and audit and professional fees.

	52 weeks ended 31 March 2007		
	Mothercare UK £ million	**International £ million**	**Consolidated £ million**
Other information			
Capital additions	**18.5**	**–**	**18.5**
Depreciation and amortisation	**13.9**	**–**	**13.9**
Balance sheet			
Assets			
Segment assets	**163.7**	**23.2**	**186.9**
Unallocated corporate assets			**40.1**
Consolidated total assets			**227.0**
Liabilities			
Segment liabilities	**68.4**	**7.6**	**76.0**
Unallocated corporate liabilities			**–**
Consolidated total liabilities			**76.0**

	53 weeks ended 1 April 2006		
	Mothercare UK £ million	International £ million	Consolidated £ million
Other information			
Capital additions	16.7	–	16.7
Depreciation and amortisation	12.8	–	12.8
Balance sheet			
Assets			
Segment assets	159.1	19.9	179.0
Unallocated corporate assets			35.9
Consolidated total assets			214.9
Liabilities			
Segment liabilities	76.5	6.7	83.2
Unallocated corporate liabilities			–
Consolidated total liabilities			83.2

Corporate assets not allocated to UK or International represent cash at bank and in hand.

6. Exceptional items

Due to their significance and one-off nature, certain items have been classified as exceptional, such as distribution reorganisation costs, restructuring costs and profits on the disposal of property interests.

	52 weeks ended 31 March 2007 £ million	53 weeks ended 1 April 2006 £ million
Reorganisation of Direct distribution centre	**(0.5)**	–
UK central and sourcing restructure	**(2.1)**	–
Profit on disposal of property interests	**0.2**	2.9
Exceptional items	**(2.4)**	2.9

Reorganisation of Direct distribution centre

During the 52 weeks ended 31 March 2007, costs of £0.5 million were charged to gross profit to provide for the direct revenue costs associated with the reorganisation of distribution as a result of the move to a new Direct distribution centre. The tax effect of this charge to gross profit was a credit of £0.1 million.

UK central and sourcing restructure

During the 52 weeks ended 31 March 2007, costs of £2.1 million were charged to administrative expenses relating to a restructure of the UK head office in Watford and the closure of the group's sourcing facility in Manchester, the expansion of the sourcing office in India and the opening of a new sourcing office in China. The tax effect of this charge to gross profit was a credit of £0.6 million.

Profit on disposal of property interests

During the 52 weeks ended 31 March 2007, a net credit of £0.2 million has been recognised in profit from operations relating to the disposal of leasehold interests in closed stores.

During the 53 weeks ended 1 April 2006, a net credit of £2.9 million was recognised in profit from operations relating to the disposal of freehold and leasehold property interests in closed stores.

The tax effect of the profit on disposal of property interests in the 52 weeks ended 31 March 2007, was a credit of £0.3 million. The tax effect in the 53 weeks ended 1 April 2006 was £nil, due to the availability of capital losses brought forward from earlier periods.

7. Profit from retail operations

Profit from retail operations has been arrived at after charging:

	52 weeks ended 31 March 2007 £ million	53 weeks ended 1 April 2006 restated (note 2) £ million
Cost of inventories recognised as an expense	**256.8**	245.3
Depreciation of property, plant and equipment	**12.6**	12.1
Amortisation of intangible assets – software	**1.3**	0.7
Net rent of properties	**51.6**	50.6
Hire of plant and equipment	**1.3**	1.5
Staff costs (including directors):		
Wages and salaries (including bonuses)	**56.1**	54.7
Social security costs	**3.5**	3.4
Pension costs (see note 31)	**1.2**	2.8

An analysis of the average monthly number of full and part-time employees throughout the group, all of whom are employed in the United Kingdom, including executive directors, is as follows:

	52 weeks ended 31 March 2007 number	53 weeks ended 1 April 2006 number
Number of employees	**5,363**	5,255
Full time equivalents	**3,149**	3,174

Details of directors' emoluments, share options and beneficial interests are provided within the remuneration report on pages 28 to 35.

For the 52 weeks ended 31 March 2007, profit from retail operations is stated after charging a net loss of £1.3 million (2006: net gain of £0.3 million) to cost of sales as a result of the group's decision not to adopt hedge accounting under IAS 39.

The analysis of auditors' remuneration is as follows:

	52 weeks ended 31 March 2007 £ million	53 weeks ended 1 April 2006 £ million
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**0.1**	0.1
Fees payable to the Company's auditors for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**0.2**	0.2
Total audit fees	**0.3**	0.3
Other services pursuant to legislation	**0.2**	–
Tax services	**0.1**	0.1
Corporate finance services	**0.2**	–
Total non-audit fees	**0.5**	0.1

Other services pursuant to legislation relates to shareholder prospectus and circular work in connection with the proposed acquisition of Chelsea Stores Holdings Limited (CSHL).

The nature of tax services comprises corporation tax advice and compliance services.

Corporate finance services relates to work in connection with the proposed acquisition of CSHL.

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

The policy for the approval of non-audit fees, together with an explanation of the services provided, is set out on page 26.

8. Investment income

	52 weeks ended 31 March 2007 £ million	53 weeks ended 1 April 2006 restated (note 2) £ million
Interest on bank deposits	**1.7**	1.8
Investment income	**1.7**	1.8

9. Finance costs

	52 weeks ended 31 March 2007 £ million	53 weeks ended 1 April 2006 restated (note 2) £ million
Interest on bank loans and overdrafts	**0.1**	0.3
Finance costs	**0.1**	0.3

10. Taxation

The charge for taxation on profit for the period comprises:

	52 weeks ended 31 March 2007 £ million	53 weeks ended 1 April 2006 £ million
Current tax:		
Current year	**0.6**	0.5
Adjustment in respect of prior periods	**–**	0.4
	0.6	0.9
Deferred tax: (see note 16)		
Current year	**5.4**	5.8
Adjustment in respect of prior periods	**(1.6)**	–
	3.8	5.8
Charge for taxation on profit for the period	**4.4**	6.7

10. Taxation continued

UK corporation tax is calculated at 30 per cent (2006: 30 per cent) of the estimated assessable profit for the period.

The charge for the period can be reconciled to the profit for the period before taxation per the consolidated income statement as follows:

	52 weeks ended 31 March 2007 £ million	53 weeks ended 1 April 2006 £ million
Profit for the period before taxation	**18.9**	24.2
Profit for the period before taxation multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	**5.6**	7.3
Effects of:		
Expenses not deductible for tax purposes	**0.8**	0.6
Utilisation of tax losses not previously recognised	**–**	(0.3)
Utilisation of tax losses not previously recognised against capital gains	**(0.4)**	(0.9)
Adjustment in respect of prior periods	**(1.6)**	–
Charge for taxation on profit for the period	**4.4**	6.7

In addition to the amount charged to the income statement, deferred tax relating to share-based payment arrangements amounting to £0.2 million (2006: £0.7 million) has been credited directly to equity. Deferred tax relating to retirement benefit obligations amounting to £4.9 million (2006: £nil) has also been debited directly to equity.

11. Dividends

	52 weeks ended 31 March 2007 £ million	53 weeks ended 1 April 2006 £ million
Amounts recognised as distributions to equity holders in the period		
Final dividend for the 53 weeks ended 1 April 2006 of 6.15p per share (2006: final dividend for the 52 weeks ended 26 March 2005 of 5.3p per share)	**4.3**	3.6
Interim dividend for the 52 weeks ended 31 March 2007 of 3.30p per share (2006: interim dividend for the 53 weeks ended 1 April 2006 of 2.85p per share)	**2.3**	1.9
	6.6	5.5

The proposed final dividend of 6.70p per share for the 52 weeks ended 31 March 2007 was approved by the board after 31 March 2007, on 24 May 2007, and so, in line with the requirements of IAS 10 'Events After the Balance Sheet Date', the related cost of £4.9 million has not been included as a liability as at 31 March 2007. This dividend will be paid on 10 August 2007 to shareholders on the register on 8 June 2007.

12. Earnings per share

	52 weeks ended 31 March 2007 million	53 weeks ended 1 April 2006 million
Weighted average number of shares in issue	**69.4**	68.5
Dilution – option schemes	**1.5**	1.5
Diluted weighted average number of shares in issue	**70.9**	70.0

	£ million	£ million
Earnings for basic and diluted earnings per share	**14.5**	17.5
IAS 39 adjustment	**1.3**	(0.3)
Exceptional items (note 6)	**2.4**	(2.9)
Tax effect of above items	**(1.4)**	0.2
Underlying earnings	**16.8**	14.5

	pence	pence
Basic earnings per share	**20.9**	25.5
Basic underlying earnings per share	**24.2**	21.2
Diluted earnings per share	**20.5**	25.0
Diluted underlying earnings per share	**23.7**	20.7

13. Subsidiaries

A list of the group's significant investments in subsidiaries, all of which are wholly owned, including the name and country of incorporation is given in note 4 to the Company financial statements. All subsidiaries are included in the consolidation.

14. Property, plant and equipment

	Properties including fixed equipment: Freehold £ million	Properties including fixed equipment: Leasehold £ million	Fixtures, fittings, equipment £ million	Assets in course of construction £ million	Total £ million
Cost					
As at 26 March 2005	18.5	105.0	148.3	2.0	273.8
Transfers	–	–	2.0	(2.0)	–
Additions	–	2.6	10.1	2.0	14.7
Disposals	(2.7)	(1.4)	(1.9)	–	(6.0)
As at 1 April 2006	15.8	106.2	158.5	2.0	282.5
Transfers	–	–	2.0	(2.0)	–
Additions	–	2.8	11.2	2.0	16.0
Disposals	–	(1.6)	(3.8)	–	(5.4)
As at 31 March 2007	**15.8**	**107.4**	**167.9**	**2.0**	**293.1**
Accumulated depreciation and impairment					
As at 26 March 2005	2.0	66.6	120.9	–	189.5
Charge for year	0.1	4.8	7.2	–	12.1
Disposals	–	(0.2)	(2.6)	–	(2.8)
As at 1 April 2006	2.1	71.2	125.5	–	198.8
Charge for year	0.1	4.8	7.7	–	12.6
Disposals	–	(0.9)	(2.8)	–	(3.7)
As at 31 March 2007	**2.2**	**75.1**	**130.4**	**–**	**207.7**
Net book value					
As at 26 March 2005	16.5	38.4	27.4	2.0	84.3
As at 1 April 2006	13.7	35.0	33.0	2.0	83.7
As at 31 March 2007	**13.6**	**32.3**	**37.5**	**2.0**	**85.4**

The net book value of leasehold properties includes £32.1 million (2006: £34.8 million) in respect of short leasehold properties.

At 31 March 2007, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £3.5 million (2006: £6.4 million).

15. Intangible assets – software

	Total £ million
Cost	
As at 26 March 2005	2.9
Additions	2.0
As at 1 April 2006	4.9
Additions	2.5
As at 31 March 2007	**7.4**
Accumulated depreciation	
As at 26 March 2005	0.2
Charge for year	0.7
As at 1 April 2006	0.9
Charge for year	1.3
As at 31 March 2007	**2.2**
Net book value	
As at 26 March 2005	2.7
As at 1 April 2006	4.0
As at 31 March 2007	**5.2**

16. Deferred tax asset

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon in the current and prior reporting period.

	Accelerated tax depreciation £ million	Short term timing differences £ million	Retirement benefit obligations £ million	Share-based payment £ million	Tax losses £ million	Total £ million
At 26 March 2005	(4.7)	3.9	6.7	0.9	6.8	13.6
Charge to income	(1.6)	(0.9)	(1.5)	(0.3)	(1.5)	(5.8)
Charge to equity	–	–	–	0.7	–	0.7
At 1 April 2006	(6.3)	3.0	5.2	1.3	5.3	8.5
Charge to income	(0.2)	(1.7)	0.6	(0.9)	(1.4)	(3.6)
Charge to equity	–	–	(4.9)	0.2	–	(4.7)
At 31 March 2007	**(6.5)**	**1.3**	**0.9**	**0.6**	**3.9**	**0.2**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	31 March 2007 £ million	1 April 2006 £ million
Deferred tax assets	**7.3**	14.8
Deferred tax liabilities	**(7.1)**	(6.3)
	0.2	8.5

At the balance sheet date, the group has unused tax losses of £12.9 million (2006: £17.7 million) available for offset against future profits. A deferred tax asset of £3.9 million (2006: £5.3 million) has been recognised in respect of £12.9 million (2006: £17.7 million) of such losses.

17. Inventories

	31 March 2007 £ million	1 April 2006 £ million
Finished goods and goods for resale	**51.8**	50.8

18. Trade and other receivables

	31 March 2007 £ million	1 April 2006 £ million
Trade receivables	**20.5**	14.5
Prepayments and accrued income	**16.2**	14.3
Other debtors	**5.6**	3.0
Currency derivative assets	**–**	0.2
	42.3	32.0

The average credit period taken on sales of goods is 15 days. No interest is charged on trade receivables, however, the right to charge interest on outstanding balances is retained. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £0.6 million (2006: £0.6 million).

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

19. Cash and cash equivalents

Cash and cash equivalents comprise cash held by the group and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

20. Credit risk

The group's principal financial assets are cash and cash equivalents and trade and other receivables.

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

21. Borrowing facilities

The group had no outstanding borrowings as at 31 March 2007 and 1 April 2006.

Overdraft

The group has an overdraft facility of £10 million which bears interest at 1.00 per cent above bank base rates. None of this facility was drawn down at 31 March 2007.

Committed borrowing facilities

The group had £15 million of committed borrowing facilities available at 31 March 2007 in respect of which all conditions precedent have been met. The final maturity date of this facility is 30 November 2008. None of this facility was drawn down at 31 March 2007. If the facility were to be drawn upon it would bear interest at 0.65 per cent above LIBOR.

22. Derivative financial instruments

Forward foreign exchange contracts

The group uses forward foreign currency contracts to reduce its exposure to exchange rate movements, primarily on the US dollar. The group does not hold derivatives for speculative or trading purposes, however, the group has not hedge accounted for its forward foreign currency contracts under the requirements of IAS 39. Therefore, from 27 March 2005 onwards, derivative financial instruments have been recognised as assets and liabilities measured at their fair values at the balance sheet date and changes in their fair values have been recognised in the income statement.

These arrangements are designed to address significant exchange exposures on forecast future purchases of goods for the following year and are renewed on a revolving basis as required.

Embedded derivatives

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

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

	31 March 2007 £ million	1 April 2006 £ million
At notional value	**44.3**	22.3
At fair value	**(0.6)**	0.2
Fair value of forward foreign currency contracts:		
Included in trade and other receivables	**–**	0.2
Included in trade and other payables	**(0.6)**	–
	(0.6)	0.2
Fair value of embedded derivatives:		
Included in trade and other receivables	**–**	–
Included in trade and other payables	**0.1**	–
	0.1	–
Currency derivative assets	**–**	0.2
Currency derivative liabilities	**(0.5)**	–
	(0.5)	0.2

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 risks to which the group is exposed relate to movements in exchange rates and interest rates. Where appropriate, cost effective and practicable the group uses financial instruments and derivatives to manage these risks. No speculative use of derivatives, currency or other instruments is permitted.

Foreign currency risk

All export sales to franchise operations are invoiced in sterling. Export sales represent approximately 17 per cent of group sales. The group therefore has no currency exposure on these sales.

The group purchases product in foreign currency, representing approximately 15 per cent of purchases. The group policy is that all material exposures are hedged by using forward currency contracts.

Currency analysis of fixed assets

The group's net assets of £151.0 million (2006: £131.7 million) are all denominated in sterling except for £0.6 million (2006: £1.2 million) denominated in US dollars.

23. Trade and other payables

	31 March 2007 £ million	1 April 2006 £ million
Current liabilities		
Trade payables	**27.8**	27.6
Payroll and other taxes including social security	**2.4**	1.7
Accruals and deferred income	**25.5**	21.1
Currency derivative liabilities	**0.5**	–
Lease incentives	**1.4**	0.9
	57.6	51.3
Non-current liabilities		
Lease incentives	**14.8**	8.9

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 40 days.

The directors consider that the carrying amount of trade payables approximates to their fair value.

24. Provisions

	31 March 2007 £ million	1 April 2006 £ million
Current liabilities		
Property provisions	**0.2**	0.9
Distribution provisions	**0.7**	2.5
Restructuring provisions	**1.6**	–
Other provisions	**0.4**	0.3
Short term provisions	**2.9**	3.7
Non-current liabilities		
Property provisions	**0.1**	0.1
Distribution provisions	**–**	0.5
Restructuring provisions	**–**	–
Other provisions	**0.4**	0.3
Long term provisions	**0.5**	0.9
Property provisions	**0.3**	1.0
Distribution provisions	**0.7**	3.0
Restructuring provisions	**1.6**	–
Other provisions	**0.8**	0.6
Total provisions	**3.4**	4.6

The movement on total provisions is as follows:

	Property provisions £ million	Distribution provisions £ million	Restructuring provisions £ million	Other provisions £ million	Total provisions £ million
Balance at 1 April 2006	1.0	3.0	–	0.6	4.6
Utilised in year	(0.7)	(2.3)	(0.6)	(0.3)	(3.9)
Charged in year	–	–	2.2	0.5	2.7
Balance at 31 March 2007	**0.3**	**0.7**	**1.6**	**0.8**	**3.4**

Property provisions principally represent the costs of store disposals. The timing of the utilisation of these provisions is variable dependent upon the lease expiry dates of the properties concerned.

Distribution provisions principally represent the costs of the reorganisation of distribution network, of which the main components relate to lease provisions on vacant property and start up costs. It is expected that all of the distribution provisions will be utilised by March 2008.

Restructuring provisions principally represent employee and other costs associated with the closure of the group's sourcing facility in Manchester and a restructure of the UK head office. It is expected that all of the restructuring provisions will be utilised by March 2008.

Other provisions principally represent provisions for uninsured losses, hence the timing of the utilisation of these provisions is uncertain.

25. Called up share capital

	52 weeks ended 31 March 2007 number of shares	53 weeks ended 1 April 2006 number of shares	**52 weeks ended 31 March 2007 £ million**	53 weeks ended 1 April 2006 £ million
Authorised				
Ordinary shares of 50p each:				
Balance at beginning and end of year	**95,767,413**	95,767,413	**47.9**	47.9
Allotted, called up and fully paid				
Ordinary shares of 50p each:				
Balance at beginning of year	**72,665,549**	71,615,737	**36.3**	35.8
Issued under the Mothercare 2000 Executive Share Option Plan	**143,624**	1,043,707	**0.1**	0.5
Issued under the Mothercare Sharesave Scheme	**508,732**	6,105	**0.2**	–
Balance at end of year	**73,317,905**	72,665,549	**36.6**	36.3

Further details of employee and executive share schemes are given in note 30.

26. Reserves

	Share premium account £ million	Own shares £ million	Retained earnings £ million
As at 26 March 2005	1.3	(5.5)	87.4
IAS 39 transition balance sheet adjustments	–	–	(0.1)
IAS 39 transfers to income/(expense)	–	–	0.1
Premium arising on issue of equity shares	0.9	–	–
Actuarial (losses) on retirement benefit obligations	–	–	(0.8)
Credit to equity for share-based payments	–	–	0.5
Purchase of own shares	–	(1.1)	–
Shares transferred to employees on vesting	–	0.1	(0.1)
Tax on items taken directly to equity	–	–	0.7
Dividends paid	–	–	(5.5)
Net profit for the financial year	–	–	17.5
As at 1 April 2006	2.2	(6.5)	99.7
Premium arising on issue of equity shares	0.9	–	–
Actuarial gains on retirement benefit obligations	–	–	16.1
Credit to equity for share-based payments	–	–	1.1
Purchase of own shares	–	(2.3)	–
Shares transferred to employees on vesting	–	1.4	(1.4)
Tax on items taken directly to equity	–	–	(4.7)
Dividends paid	–	–	(6.6)
Net profit for the financial year	–	–	14.5
As at 31 March 2007	**3.1**	**(7.4)**	**118.7**

The own shares reserve represents the cost of shares in Mothercare plc purchased in the market and held by The Mothercare Employee Trust to satisfy options under the group's share option schemes (see note 30). The total shareholding is 3,288,773 (2006: 3,644,155) with a market value at 31 March 2007 of £13,385,306.

27. Reconciliation of cash flow from operating activities

	52 weeks ended 31 March 2007 £ million	53 weeks ended 1 April 2006 restated (note 2) £ million
Profit from retail operations	**17.1**	19.8
Adjustments for:		
Depreciation of property, plant and equipment	**12.6**	12.1
Amortisation of intangible assets – software	**1.3**	0.7
Losses on disposal of property, plant and equipment	**0.2**	0.3
Loss/(gain) on currency derivatives	**0.7**	(0.2)
Cost of employee share schemes	**1.1**	0.5
Movement in provision for costs of reorganisation of distribution network	**(2.3)**	(2.6)
Movement in property provisions	**(0.7)**	(0.5)
Movement in restructuring provisions	**1.6**	–
Movement in other provisions	**0.2**	(0.4)
Amortisation of lease incentives	**(1.4)**	(1.0)
Lease incentives received	**7.8**	2.3
Payments to retirement benefit schemes	**(4.5)**	(8.5)
Charge to profit from operations in respect of service costs of retirement benefit schemes	**1.2**	2.8
Operating cash flow before movement in working capital	**34.9**	25.3
Increase in inventories	**(1.0)**	(4.0)
Increase in receivables	**(10.5)**	(3.0)
Increase/(decrease) in payables	**5.5**	(5.0)
Cash generated from operations	**28.9**	13.3
Income taxes paid	**(1.4)**	–
Net cash flow from operating activities	**27.5**	13.3

28. Analysis of cash and cash equivalents

	31 March 2007 £ million	1 April 2006 £ million
Cash at bank and in hand	**40.1**	35.9
Cash and cash equivalents	**40.1**	35.9

29. Operating lease arrangements

The group as lessee

	52 weeks ended 31 March 2007 £ million	53 weeks ended 1 April 2006 £ million
Amounts recognised in cost of sales for the period:		
Minimum lease payments paid	**53.0**	51.8
Contingent rents	**0.7**	1.0
Minimum sublease payments received	**(0.7)**	(0.7)
Net rent expense for the period	**53.0**	52.1

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

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

	31 March 2007 £ million	1 April 2006 £ million
Within one year	**57.6**	56.0
In the second to fifth years inclusive	**196.9**	196.4
After five years	**325.9**	312.4
Total future minimum lease payments	**580.4**	564.8

At the balance sheet date, the group had total future minimum sublease payments expected to be received under non-cancellable operating subleases of £13.0 million (2006: £6.7 million).

30. Share-based payments

An expense is recognised for share-based payments based on the fair value of the awards at the date of grant, the estimated number of shares that will vest and the vesting period of each award.

The charge for share-based payments under IFRS is £1.3 million (2006: £0.5 million) across the following schemes:

A: Equity incentive awards
B: Long term incentive plan and share matching scheme
C: Executive share option scheme
D: Save As You Earn schemes

Details of the share schemes that the group operates are provided in the directors' remuneration report on pages 28 to 35.

For each scheme, expected volatility was determined with reference to the 90-day volatility of the group's share price over the previous three years. The expected life used in each model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

A. Equity incentive awards

The number of shares outstanding under the chairman's equity incentive award is as follows:

	52 weeks ended 31 March 2007 Number of shares	53 weeks ended 1 April 2006 Number of shares
Balance at beginning of year	–	31,898
Vested during year	–	(31,898)
Balance at end of year	–	–

The number of shares outstanding under the chief executive's equity incentive award is as follows:

	52 weeks ended 31 March 2007 Number of shares	53 weeks ended 1 April 2006 Number of shares
Balance at beginning of year	**300,000**	375,000
Vested during year	**(55,000)**	(75,000)
Lapsed during year	**(200,000)**	–
Balance at end of year	**45,000**	300,000

The fair value of each market based condition of the chief executive's equity incentive award is calculated using a binomial model with the following assumptions:

Grant date			December 2002
Share price at award date			104p
Expected volatility			20.0%
Risk free rate			4.75%
Expected dividend yield			3.00%
Time to expiry			5 years
Number of shares awarded	100,000	100,000	100,000
Share price condition	200p	300p	400p
Fair value	261.6p	153.5p	50.9p

B. Equity awards under the long term incentive plan and the share matching scheme

The number of shares outstanding under the long term incentive plan and the share matching scheme is as follows:

	52 weeks ended 31 March 2007 Number of shares	53 weeks ended 1 April 2006 Number of shares
Balance at beginning of year	**1,531,343**	1,655,794
Awarded during year	**–**	362,067
Lapsed during year	**(99,225)**	(486,518)
Vested during year	**(893,075)**	–
Balance at end of year	**539,043**	1,531,343

The fair value of the long term incentive plan and the share matching scheme awards is calculated using a Monte Carlo model to determine the present economic value, with the following assumptions:

Grant date	June 2005	June 2004	October 2003	July 2003
Number of shares awarded	362,067	512,156	108,736	1,137,915
Share price at award date	292p	340p	277p	162p
Expected volatility	30.0%	30.0%	40.0%	40.0%
Expected dividend yield	3.00%	3.00%	2.60%	2.60%
Time to expiry	3.25 years	3.25 years	3.25 years	3.25 years
Correlation to comparators	15.0%	15.0%	15.0%	15.0%
TSR element fair value	151p	185p	155p	90p
EPS element fair value	186p	232p	186p	108p

Under IFRS 2, the fair value of the EPS element of the award is calculated assuming that the TSR of the Company will be at least median within the comparator group.

30. Share-based payments continued

C. Executive share option scheme

Share options may be granted to executives and senior managers at a price equal to the average quoted market price of the group's shares on the date of grant. The options vest after three years, conditional on the group's share price exceeding 3 per cent per annum compound growth over the vesting period. If the options remain unexercised after a period of ten years from the date of grant, they expire. Furthermore, options are forfeited if the employee leaves the group before the options vest.

The number of options outstanding under the executive share option scheme is as follows:

	Weighted average exercise price	**52 weeks ended 31 March 2007 Number of shares**	53 weeks ended 1 April 2006 Number of shares
Balance at beginning of year	245p	**1,054,013**	2,003,493
Granted during year	–	**–**	205,000
Forfeited during year	285p	**(46,993)**	(110,773)
Exercised during year	275p	**(138,624)**	(1,043,707)
Expired during year	–	**–**	–
Balance at end of year	238p	**868,396**	1,054,013

The weighted average share price at the date of exercise for share options exercised during the period was 367p. The options outstanding at 31 March 2007 had a weighted average remaining contractual life of 6.5 years.

The fair value of executive share options granted during the year is calculated based on a Black-Scholes model with the following assumptions:

Grant date	June 2005	November 2004	June 2004	March 2003	January 2003	December 2002
Number of options granted	205,000	20,000	465,000	402,011	275,863	312,500
Share price at grant date	284p	299p	335p	99p	87p	104p
Exercise price	284p	299p	335p	99p	87p	104p
Expected volatility	25.0%	19.0%	18.0%	41.0%	56.0%	67.0%
Risk free rate	4.75%	4.75%	4.25%	3.75%	4.00%	4.00%
Expected dividend yield	2.60%	2.60%	2.60%	1.90%	1.90%	1.90%
Time to expiry	3.25 years	3.25 years	3.25 years	3.25 years	3.25 years	3.25 years
Fair value of option	54.3p	46.1p	47.2p	29.0p	33.3p	46.2p

D. Save As You Earn schemes

The employee Save As You Earn schemes are open to all employees and provide for a purchase price equal to the daily average market price on the date of grant, less 20 per cent.

The shares can be purchased during a two-week period each year and are placed in the employee Save As You Earn trust for a three-year period.

The number of shares outstanding under the Save As You Earn schemes is as follows:

	Weighted average exercise price	**52 weeks ended 31 March 2007 Number of shares**	53 weeks ended 1 April 2006 Number of shares
Balance at beginning of year	205p	**938,465**	696,947
Granted during year	–	**–**	373,584
Forfeited during year	237p	**(92,113)**	(125,961)
Exercised during year	155p	**(503,732)**	(6,105)
Expired during year	–	**–**	–
Balance at end of year	270p	**342,620**	938,465

The shares outstanding at 31 March 2007 had a weighted average remaining contractual life of 2.1 years.

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

Grant date	November 2005	August 2003
Number of options granted	373,584	774,364
Share price at grant date	282p	155p
Exercise price	282p	155p
Expected volatility	25.0%	48.0%
Risk free rate	4.50%	3.50%
Expected dividend yield	2.60%	1.90%
Time to expiry	3.25 years	3.25 years
Fair value of option	53.0p	51.3p

E. Executive Incentive Plan

The Executive Incentive Plan is a conditional award based on surplus value created over a three-year performance period. The surplus value is calculated as the difference between the total shareholder return of Mothercare and that of the FTSE All-Share General Retailers Index, multiplied by Mothercare's market capitalisation. The remuneration committee has the discretion to allow 50 per cent of the award to be paid in shares and deferred for one year. For accounting purposes it is assumed that the remuneration committee will exercise this discretion, so the cost of the equity-settled half of the award is now fixed at the grant date. The cash-settled half of the award will be fair valued each year and a true-up adjustment made.

The fair value of the plan award is calculated using a binomial model with the following assumptions:

Grant date	July 2006
Market capitalisation at award date	£261.8m
Expected Mothercare share price volatility	30.0%
Expected Index volatility	15.0%
Risk free rate	4.90%
Correlation between Mothercare and the index	35.0%
Time to expiry	3 years
Fair value at grant date	£1.31m
Fair value at 31 March 2007	£1.51m

F. Performance Share Plan

The Performance Share Plan is a conditional award of shares based on the expected growth in Mothercare's profit before taxation over three years. The number of shares outstanding under the Performance Share Plan is as follows:

	52 weeks ended 31 March 2007 Number of shares	53 weeks ended 1 April 2006 Number of shares
Balance at beginning of year	**–**	–
Awarded during year	**667,345**	–
Lapsed during year	**(40,172)**	–
Vested during year	**–**	–
Balance at end of year	**627,173**	–

The fair value of the plan award is calculated based on Mothercare's estimate of future profit growth. As at 31 March 2007, the level of vesting is assumed to be 80 per cent.

Grant date	December 2006	July 2006
Number of shares awarded	15,051	652,294
Share price at date of grant	374p	343p
Exercise price	nil	nil
Time to expiry	3 years	3 years
Fair value per share	299p	274p

31. Retirement benefit schemes

The group has operated two defined benefit pension schemes for its employees during the year.

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

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

The most recent full actuarial valuations were carried out as at 31 March 2003 and 31 March 2005 and the next full actuarial valuation will be carried out as at 31 March 2008. The most recent full actuarial valuations were updated as at 1 April 2006 and 31 March 2007 for the purpose of these disclosures. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method.

The major assumptions used in the updated actuarial valuations were:

	31 March 2007 per cent	1 April 2006 per cent
Discount rate	**5.4**	5.0
Future pension increases	**3.0**	2.8
Expected rate of salary increases	**4.5**	4.3
Expected return on schemes' assets	**7.7**	7.7
Analysed between:		
Equities	**8.4**	8.3
Bonds	**5.4**	5.0
Property	**7.4**	7.2
Alternative assets	**7.4**	6.5
Other assets	**–**	4.3
Special contributions	**7.7**	7.7

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

	52 weeks ended 31 March 2007 £ million	53 weeks ended 1 April 2006 £ million
Current service cost	**5.0**	4.7
Interest cost	**9.4**	9.0
Expected return on schemes' assets	**(13.2)**	(10.9)
Past service cost	**–**	–
	1.2	2.8

Current service cost, interest cost and expected return on schemes' assets have been included in administrative expenses. As described in note 2 'Basis of accounting', in prior periods interest cost was presented within finance costs and expected return on assets was presented within investment income. The prior period information has been represented to accord with the current year presentation adopted. Actuarial gains and losses have been reported in the statement of recognised income and expense.

The actual return on scheme assets was £12.7 million (2006: £30.6 million).

The amount included in the balance sheet arising from the group's obligations in respect of its defined benefit retirement schemes is as follows:

	31 March 2007 £ million	1 April 2006 £ million
Present value of defined benefit obligations	**191.6**	197.9
Fair value of schemes' assets	**(193.6)**	(180.4)
(Surplus)/deficit in schemes	**(2.0)**	17.5
Past service cost not yet recognised in balance sheet	**–**	–
(Asset)/liability recognised in balance sheet	**(2.0)**	17.5

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

	52 weeks ended 31 March 2007 £ million	53 weeks ended 1 April 2006 £ million
At beginning of year	**197.9**	165.8
Service cost	**5.0**	4.7
Interest cost	**9.4**	9.0
Contribution from scheme members	**1.5**	1.8
Actuarial gains and losses	**(17.3)**	19.8
Benefits paid	**(4.9)**	(3.2)
At end of year	**191.6**	197.9

Movements in the fair value of scheme assets were as follows:

	52 weeks ended 31 March 2007 £ million	53 weeks ended 1 April 2006 £ million
At beginning of year	**180.4**	143.4
Actual return on schemes' assets	**12.7**	30.5
Company contributions	**4.5**	8.5
Members' contributions	**1.5**	1.8
Benefits paid	**(5.5)**	(3.8)
At end of year	**193.6**	180.4

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

	31 March 2007 per cent	31 March 2007 £ million	1 April 2006 per cent	1 April 2006 £ million
Equities	**8.4**	**95.5**	8.3	112.5
Bonds	**5.4**	**35.9**	5.0	24.5
Property	**7.4**	**34.3**	7.2	31.3
Alternative assets	**7.4**	**26.4**	6.5	6.5
Other assets	**–**	**–**	4.3	0.3
Special contributions[1]	**7.7**	**1.5**	7.7	5.3
		193.6		180.4

1. The special contribution of £1.5 million (2006: £5.3 million) received from the Company was held in cash at the balance sheet date and subsequently invested in line with the scheme's investment asset allocation policy.

31. Retirement benefit schemes continued

The history of experience adjustments is as follows:

	52 weeks ended 31 March 2007	53 weeks ended 1 April 2006
Present value of defined benefit obligations	**£191.6m**	£197.9m
Fair value of schemes' assets	**£(193.6)m**	£(180.4)m
(Surplus)/deficit in the schemes	**£(2.0)m**	£17.5m
Experience adjustments on scheme liabilities	**£(17.3)m**	£19.8m
Percentage of schemes' liabilities	**9.0%**	10.0%
Experience adjustments on scheme assets	**£(1.2)m**	£19.7m
Percentage of schemes' assets	**0.6%**	10.9%

The estimated amount of cash contributions expected to be paid to the schemes during the 52 weeks ending 29 March 2008 is £3.6 million.

32. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

The remuneration of the operating board (including directors), who are the key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual directors is provided in the audited part of the directors' remuneration report on pages 28 to 35.

	52 weeks ended 31 March 2007 £ million	53 weeks ended 1 April 2006 £ million
Short term employee benefits	**3.3**	2.1
Post employment benefits	**0.4**	0.4
Termination benefits	**–**	0.1
Share-based payments	**2.4**	0.4
	6.1	3.0

33. Post balance sheet events

On 18 March 2007, Mothercare announced that it was in discussions regarding a possible acquisition of Chelsea Stores Holdings Limited (CSHL), owner of the Early Learning Centre. On 28 April 2007, Mothercare announced that it had agreed to acquire CSHL for a total consideration of £85 million, in the form of new Mothercare ordinary shares and the assumption of CSHL's net debt on completion, valued at approximately £36 million.

The proposed acquisition is conditional on the approval of Mothercare's shareholders at an extraordinary general meeting of shareholders, clearance from the Office of Fair Trading, the approval of the prospectus and the admission of the new Mothercare shares to the Official List and to trading on the London Stock Exchange's market for listing securities. Further details of the principal terms and conditions of the acquisition agreement will be set out in the circular to be sent to Mothercare's shareholders.

Full details of the announcement regarding the proposed acquisition are available on the Investor Information section of the website, www.mothercare.com.

Company financial statements

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Statement of directors' responsibilities for the Company financial statements

The directors are responsible for preparing the annual report and the financial statements. The directors have chosen to prepare the accounts for the Company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with UK GAAP of the state of affairs of the Company and of the profit or loss of the Company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report on the Company financial statements

To the shareholders of Mothercare plc

We have audited the individual Company financial statements of Mothercare plc for the 52 weeks ended 31 March 2007 which comprise the balance sheet and the related notes 1 to 9. These individual Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Mothercare plc for the 52 weeks ended 31 March 2007 and on the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the individual Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the individual Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the individual Company financial statements give a true and fair view in accordance with the relevant financial reporting framework and whether the individual Company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the individual Company financial statements.

In addition, we also report to you if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the individual Company financial statements. Our responsibilities do not extend to any further information outside the annual report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the individual Company financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the individual Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the individual Company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the individual Company financial statements.

Opinion

In our opinion:

- the individual Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2007;
- the individual Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
24 May 2007

Company balance sheet

As at 31 March 2007

	Note	31 March 2007 £ million	1 April 2006 £ million
Fixed assets			
Investments in subsidiary undertakings	4	**108.8**	108.8
		108.8	108.8
Current assets			
Debtors	5	**5.0**	5.1
Cash at bank and in hand and time deposits		**37.4**	44.7
		42.4	49.8
Creditors – amounts falling due within one year	6	**(87.0)**	(86.9)
Net current liabilities		**(44.6)**	(37.1)
Total assets less current liabilities		**64.2**	71.7
Net assets		**64.2**	71.7
Capital and reserves attributable to equity interests			
Called up share capital	7	**36.6**	36.3
Share premium account	8	**3.1**	2.2
Own shares	8	**(7.4)**	(6.5)
Profit and loss account	8	**31.9**	39.7
Equity shareholders' funds		**64.2**	71.7

The notes to the Company financial statements on pages 73 and 74 and the accounting policies described therein form an integral part of this balance sheet.

Approved by the board on 24 May 2007 and signed on its behalf by:

Ben Gordon
Neil Harrington

1. Significant accounting policies

Basis of presentation

The Company's accounting period covers the 52 weeks ended 31 March 2007. The comparative period covered the 53 weeks ended 1 April 2006.

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and United Kingdom generally accepted accounting standards. The principal accounting policies are presented below and have been applied consistently throughout the 52 weeks ended 31 March 2007 and the preceding 53 weeks ended 1 April 2006.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Cash flow statement

The Company is exempt from the requirement of FRS 1 (revised) to include a cash flow statement as part of its Company financial statements because it prepares a consolidated cash flow statement which is shown on page 40.

2. Profit and loss account

As permitted by section 230 of the Companies Act 1985, no separate profit and loss account is presented for the Company. The Company's profit for the 52 weeks ended 31 March 2007 was £0.2 million (2006: loss of £0.1 million). The remuneration for audit services for the Company of £0.1 million (2006: £0.1 million) were borne by another group company. The Company did not incur any non-audit fees, have any employees or incur any directors' emoluments during the current or the preceding financial year.

3. Taxation

The Company has tax losses carried forward of £nil (2006: £nil) on which no deferred tax asset has been recognised.

4. Investments in subsidiary undertakings

Investments in the Company's balance sheet consist of its investments in subsidiary undertakings.

The Company's significant subsidiaries, all of which are wholly owned, are as follows:

	Country of incorporation
Mothercare UK Limited	United Kingdom
Storehouse Finance plc*	United Kingdom

*Direct subsidiary of Mothercare plc.

The Company's investment in its subsidiary undertakings is as follows:

	31 March 2007 £ million	1 April 2006 £ million
Cost of investments (less amounts written off £153.0 million (2006: £153.0 million))	**43.3**	43.3
Loans to subsidiary undertakings	**65.5**	65.5
	108.8	108.8

5. Debtors

	31 March 2007 £ million	1 April 2006 £ million
Amounts due from subsidiary undertakings	**5.0**	5.1
Other debtors	**–**	–
	5.0	5.1

6. Creditors – amounts falling due within one year

	31 March 2007 £ million	1 April 2006 £ million
Amounts due to subsidiary undertakings	**86.4**	86.4
Accruals and deferred income	**0.6**	0.5
	87.0	86.9

7. Called up share capital

	Number of shares	£ million
Authorised		
Ordinary shares of 50p each:		
Balance at 31 March 2007 and 1 April 2006	**95,767,413**	**47.9**
Allotted, called-up and fully paid		
Ordinary shares of 50p each:		
Balance at 1 April 2006	72,665,549	36.3
Issued under the Mothercare 2000 Executive Share Option Plan	143,624	0.1
Issued under the Mothercare Sharesave Scheme	508,732	0.2
Balance at 31 March 2007	**73,317,905**	**36.6**

Further details of employee and executive share schemes are provided in note 30 to the consolidated financial statements.

8. Reserves

	Share premium reserve £ million	Own shares reserve £ million	Profit and loss reserve £ million
Balance at 1 April 2006	2.2	(6.5)	39.7
Net premium on shares issued	0.9	–	–
Purchase of own shares	–	(2.3)	–
Shares transferred to employees on vesting	–	1.4	(1.4)
Dividends	–	–	(6.6)
Profit for the financial year	–	–	0.2
Balance at 31 March 2007	**3.1**	**(7.4)**	**31.9**

9. Reconciliation of equity shareholders' funds

	52 weeks ended 31 March 2007 £ million	53 weeks ended 1 April 2006 £ million
Equity shareholders' funds brought forward	**71.7**	77.0
Dividends	**(6.6)**	(5.5)
Shares issued	**1.2**	1.4
Purchase of own shares	**(2.3)**	(1.1)
Retained profit/(loss) for the year	**0.2**	(0.1)
Equity shareholders' funds carried forward	**64.2**	71.7

Five year record

	Prepared under IFRS			Prepared under UK GAAP	
	2007	2006 restated[3]	2005 restated[3]	2004	2003
	£ million	£ million	£ million	£ million	£ million
Summary of consolidated income statements					
Revenue	**498.5**	482.7	457.2	446.9	431.7
Underlying[1] profit/(loss) from operations before interest	**21.0**	19.5	17.9	15.8	(19.7)
Non-underlying[2] items	**(3.7)**	3.2	(4.1)	7.4	(5.2)
Interest (net)	**1.6**	1.5	1.7	0.7	0.1
Profit/(loss) before taxation	**18.9**	24.2	15.5	23.9	(24.8)
Taxation	**(4.4)**	(6.7)	(4.2)	7.3	10.0
Profit/(loss) for the financial year	**14.5**	17.5	11.3	31.2	(14.8)
Basic earnings/(loss) per share	**20.9p**	25.5p	16.6p	46.5p	(22.0)p
Summary of consolidated balance sheets					
Deferred tax asset	**0.2**	8.5	13.6	6.4	–
Other non-current assets	**90.6**	87.7	87.0	81.3	85.6
Net current assets	**73.5**	62.8	51.6	52.8	27.0
Retirement benefit obligations	**2.0**	(17.5)	(22.4)	–	–
Other non-current liabilities	**(15.3)**	(9.8)	(10.8)	(4.8)	(6.9)
Total net assets	**151.0**	131.7	119.0	135.7	105.7
Other key statistics					
Share price at year end	**407.0p**	314.75p	277.0p	354.0p	101.5p
Net cash/equity	**26.5%**	27.3%	31.1%	29.7%	7.0%
Capital expenditure	**18.5**	16.7	18.4	8.5	13.4
Depreciation and amortisation	**13.9**	12.8	12.0	13.0	11.6
Rents	**51.6**	50.6	47.4	46.0	45.7
Number of UK stores	**225**	231	231	233	241
UK selling space (000's sq ft)	**1,791**	1,857	1,858	1,863	1,922
Average number of employees	**5,363**	5,255	5,149	5,005	5,032
Average number of full time equivalents	**3,149**	3,174	3,051	3,033	3,109

1. Before items described as exceptional in note 2 below.
2. Includes exceptional items (reorganisation of Direct distribution, restructuring and profit on disposal of property interests) as set out in note 6 to the financial statements and the impact of fair value accounting under IAS 39.
3. As described in note 2 on page 41, the Company has changed presentation of the components of net pension expense in the current year and prior periods have been restated accordingly.

Shareholder information

Shareholder analysis

A summary of holdings as at 29 May 2007 is as follows:

	Mothercare ordinary shares	
	Number of shares million	Number of shareholders
Banks, insurance companies and pension funds	**0.7**	**9**
Nominee companies	**65.3**	**663**
Other corporate holders	**2.9**	**108**
Individuals	**4.4**	**24,755**
	73.3	**25,535**

As can be seen from the above analysis, many shares are registered in the name of a nominee company as the legal owner. The underlying holder of shares through a nominee account is the beneficial owner of these shares, being entitled to the capital value and the income arising from them. An analysis of these nominee holdings shows that the largest underlying holders are pension funds, with unit trusts and insurance companies the other major types of shareholder.

Individual shareholders owning 500 or more Mothercare shares are entitled to a 10 per cent discount in defined denominations on up to £500 of merchandise in Mothercare stores. If an individual shareholding of 500 or more shares is not on the share register but is held through a nominee or trustee, the book of vouchers can nevertheless be obtained by contacting the company secretary at the registered office.

Share price data

	2007	2006
Share price at 30 March 2007 (31 March 2006)	**407.00p**	314.75p
Market capitalisation	**£298.4m**	£228.7m
Share price movement during the year:		
High	**408.0p**	383.0p
Low	**310.0p**	264.0p

All share prices are quoted at the mid-market closing price. For capital gains tax purposes:

- the market value on 31 March 1982 of one ordinary share in British Home Stores PLC is 155p and of one ordinary share in Habitat Mothercare PLC is 133p; and
- the market value of each Mothercare plc 50p ordinary share immediately following the reduction of capital and consolidation for the purpose of allocating base cost between such shares and the shares disposed of as a result of the reduction is 135p.

Registrars and transfer office

Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA.

Financial calendar

	2007
Annual General Meeting	19 July
Announcement of interim results	22 November

	2008
Payment of interim dividend	February
Preliminary announcement of results for the 52 weeks ending 29 March 2008	end May
Issue of report and accounts	mid June
Annual General Meeting	mid July
Payment of final dividend	mid August

Registered office and head office

Cherry Tree Road, Watford, Hertfordshire WD24 6SH
Telephone 01923 241000
www.mothercare.com
Registered number 1950509

Company secretary

Clive E Revett

Registrars

Administrative enquiries concerning shareholders in Mothercare plc for such matters as the loss of a share certificate, dividend payments or a change of address should be directed, in the first instance, to the registrars:

Lloyds TSB Registrars
The Causeway, Worthing, West Sussex BN99 6DA
Telephone 0870 600 3965
www.lloydstsb-registrars.co.uk

Low cost share dealing service

A postal share dealing service is available through the Company's stockbrokers for the purchase and sale of Mothercare plc shares. Further details can be obtained from:

JPMorgan Cazenove & Co Limited
20 Moorgate, London EC2R 6DA
Telephone 020 7155 5155

ShareGift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation. The share transfer form needed to make a donation may be obtained from the Mothercare plc registrars, Lloyds TSB Registrars.

Further information about ShareGift is available from www.sharegift.org or by telephone on 020 7337 0501.

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