Mothercare plc
Annual report
and accounts 2015

www.mothercareplc.com

At a glance

Our aim at Mothercare is to become the leading global retailer for parents and young children

Our brands

Mothercare

We aim to meet the needs of mothers-to-be, babies and children up to the age of eight years. Our **Clothing & footwear** product includes ranges for babies, children and maternity wear and has a growing selection of branded product. **Home & travel** includes pushchairs, car seats, furniture, bedding, feeding and bathing equipment. **Toys** is mainly for babies and complements our ELC ranges well.

Mothercare stores

UK – in town: **79**
UK – out of town: **96**
International franchise: **908**

Early Learning Centre

We aim to provide children up to the age of eight with toys that nurture and encourage learning through play. The ranges are mainly own brand and are designed and sourced through our facilities in Hong Kong.

Early Learning Centre stores

UK – in town: **14**
UK – inserts: **127**
International franchise: **365**

Worldwide sales

£1,203m +1.0%

Group sales

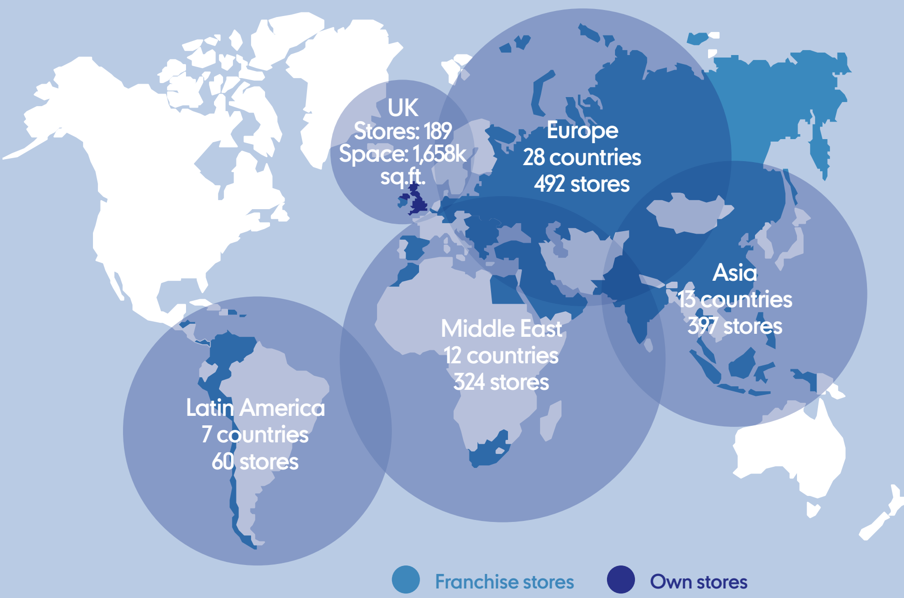
£714m (1.5)%

Underlying profit

£13.0m +37%

Statutory loss

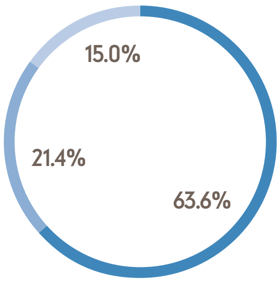
£(13.1)m
reduced by 50%



Contents

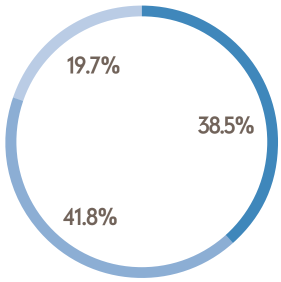
Product

International



- Clothing & footwear
- Home & travel
- Toys

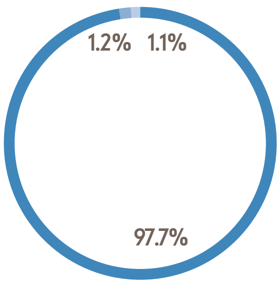
UK



- Clothing & footwear
- Home & travel
- Toys

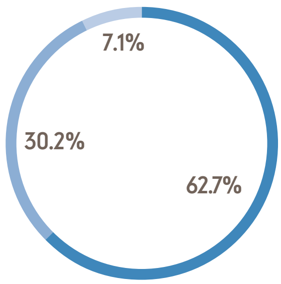
Worldwide sales

International



- Stores
- Online
- Wholesale

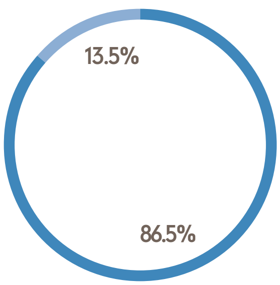
UK



- Stores
- Online
- Wholesale

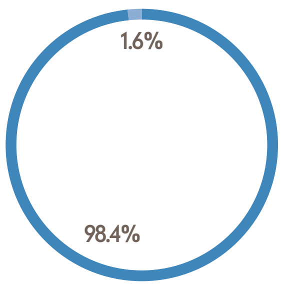
Space

International



- Mothercare
- ELC

UK



- Mothercare
- ELC

Overview

ifc At a glance
01 Contents and financial highlights

Strategic report

02 Chairman's statement
04 Chief Executive's review
10 Strategic pillars
12 KPIs – Financial and non-financial
14 Risks – Principal risks and uncertainties
20 Business model
22 Operational review
26 Financial review
34 Corporate responsibility

Governance

38 Board of Directors
39 Executive committee
40 Corporate governance
47 Audit and Risk committee
53 Nomination committee
54 Directors' report
58 Directors' remuneration report

Financial statements

83 Directors' responsibilities statement
84 Independent auditor's report to the members of Mothercare plc
89 Consolidated income statement
90 Consolidated statement of comprehensive income/(expense)
91 Consolidated balance sheet
92 Consolidated statement of changes in equity
93 Consolidated cash flow statement
94 Notes to the consolidated financial statements

Company financial statements

133 Company balance sheet
134 Notes to the Company financial statements
137 Five year record
138 Shareholder information

Chairman's statement

FY2015 was a year of considerable activity and will be remembered as being pivotal in improving the longer term prospects of the Company.

Alan Parker CBE
Chairman

FY2015 was a year of considerable activity for the Company and in my view will be remembered as being pivotal in improving the longer term prospects of the Company. Amongst the many things that happened during the year, the Board:

- appointed Mark Newton-Jones as the new CEO
- oversaw the refinancing of the Company with new bank facility terms and the successful £100 million rights issue
- rightly rejected the takeover approach from a US retailer
- appointed Richard Smothers as the new CFO,
- at the same time increased Group underlying PBT supported by continued growth in International and an improvement in the UK business, and
- led four quarters of UK like-for-like sales growth and stopped the margin decline for the first time in six years.

As reported last year, Mark Newton-Jones was appointed in March 2014 as Interim CEO shortly after the departure of his predecessor. Following a full and thorough search process, the Board was delighted to appoint Mark to the role in July 2014. Mark has led a considerable improvement in the Company since he joined. Richard Smothers was appointed as the new CFO in March 2015, to replace Matt Smith who resigned and left the Company as CFO in early 2015. There have been several other changes to the Executive Committee during the year, which has strengthened the team and supports the operational business structure and strategy.

There were no changes to the non-executive directors during the year, but the collective experience of the Board, and Richard Rivers' seven years as a director and now Senior Independent Director, proved invaluable support to me in my capacity as Chairman, and to the Company, as events unfolded in 2014.

There were two corporate matters that I want to reference specifically. The first was the highly successful rights issue, approved overwhelmingly (99.9%) by shareholders at our general meeting in October 2014, which enabled the Company to raise gross proceeds of £100 million to be used to support our new strategy investing in the business systems and UK stores, and to pay down bank debt. This means that, as at 28 March 2015, the Company had a stronger balance sheet, and the ability to identify and finance the changes required in the UK business to return it to profitability sooner. Further, the improvements will enable Mothercare to become a destination multi-channel shopping experience for our customers. I would like to thank all shareholders for the support that they provided in approving the rights issue.

The second matter was the uninvited takeover approach made by a US retailer. The initial approaches made privately to the Board were rejected on good grounds, and the subsequent hostile and unexpected announcement to Mothercare's shareholders on 2 July 2014 was unwelcome. However, the Board took and received sound professional advice, complied fully with its obligations, and on 25 July 2014 the offer was withdrawn.

These two corporate matters taken together demonstrate the strong support that the Company has from its shareholders, who believe in the future opportunities of our great brands both in the UK and Internationally. This belief is shared by the Board. We now have the leadership, the management team and the funds to deliver on the strategic plan, to return the UK to profitability and to grow our International business further.

I believe that the Group results for FY2015, and the improvement in the trading performance of our UK business, represent another step in the right direction. The planned investment in stores and in the digital experience for customers that is possible because of shareholder support will allow Mark and his team to act decisively and deliver a business that supports new parents (and their children) at this challenging and exciting time in their lives.

As always, the ability of Mothercare to meet the needs and aspirations of its customers is founded on the work and support of its employees and store colleagues (both in the UK and overseas), franchise partners, and suppliers. On behalf of the Board, I would like to thank everyone involved for their hard work and commitment during this action packed year.

Alan Parker CBE
Chairman, Mothercare plc

Chief Executive's review

In my first year as CEO we have made good progress against each of our six new strategic pillars.

Mark Newton-Jones
Chief Executive

New strategic pillars

1. Become a digitally led business
2. Supported by a modern retail estate
3. Offering style, quality and innovation in product and great service
4. Stabilise and recapture gross margin
5. Running a lean organisation while investing for the future
6. Expanding further internationally

For further information see pages 10-11

Overview

This has been an eventful year for Mothercare, but one in which we have started to make significant progress towards putting our UK business on a firmer footing and further developing our International business for continued long-term growth. Our approach this year will help us realise our goal of being the leading global retailer for parents and young children.

I was first appointed as Chief Executive in an interim capacity in March 2014 and subsequently on a permanent basis in July 2014. Since then, the Company rejected an unwelcome bid from a US retailer in the summer, successfully completed a £100 million rights issue and put in place new banking facilities in October 2014. In March 2015, we appointed Richard Smothers to the role of Chief Financial Officer. The refinancing of our business along with the recruitment of a new Executive Committee provides us with the strong foundations needed to turn our strategy into reality.

Our strategy is based on six pillars:

1. **Become a digitally led business.**
2. **Supported by a modern retail estate.**
3. **Offering style, quality and innovation in product and great service.**
4. **Stabilise and recapture gross margin.**
5. **Running a lean organisation while investing for the future.**
6. **Expanding further internationally.**

We have, over the last year, made good progress against each of these six pillars, putting in place solid foundations for our future.

Group sales and underlying profits improved and statutory loss reduced

Worldwide sales were up 1.0% at £1,203 million with total International sales up 2.2% and total UK sales down (0.9)%. Group sales, which reflect total UK sales and reported revenues from our International partners, were down (1.5)% at £714 million reflecting the reduction in UK sales as a result of store closures and the impact of foreign currency.

Global retail space across all of our markets was up 3.6% year-on-year, with International up 9.0% and the UK reduced by (4.5)%. Our International partners now operate from 60 countries with 1,273 stores and in the UK we have 189 stores.

	FY2014/15 52 weeks to 28 Mar 15	FY2013/14 52 weeks to 29 Mar 14	% change vs. last year
International space	2,894k sq.ft.	2,656k sq.ft.	+9.0%
UK space	1,658k sq.ft.	1,737k sq.ft.	(4.5%)
Worldwide space	**4,552k sq.ft.**	**4,393k sq.ft.**	**+3.6%**
International stores	1,273	1,221	–
UK stores	189	220	–
Worldwide stores	**1,462**	**1,441**	**–**

Worldwide space

4.5m sq. ft. +3.6%

+9.0% International; (4.5)% UK

Worldwide stores

1,462

1,273 International; 189 UK

	FY2014/15 52 weeks to 28 Mar 15 £ million	FY2013/14 52 weeks to 29 Mar 14 £ million	% change vs. last year
Underlying International profit	45.9	45.3	+1.3%
Underlying UK loss	(18.0)	(21.5)	+16.3%
Corporate expenses	(8.6)	(7.8)	(10.3%)
Underlying profit from operations	**19.3**	**16.0**	**+20.6%**
Underlying interest charge	(5.0)	(6.4)	+21.9%
Share based payments	(1.3)	(0.1)	n.a.
Underlying profit before tax	**13.0**	**9.5**	**+36.8%**
Exceptional items	(32.0)	(19.9)	–
Non-cash foreign currency adjustments	6.9	(14.9)	–
Amortisation of intangibles	(1.0)	(1.0)	–
Reported profit/(loss) before tax	**(13.1)**	**(26.3)**	**+50.2%**

Underlying Group profits were up 37% at £13.0 million. International profits were up 1% at £45.9 million in spite of foreign currency headwinds and UK losses were reduced by 16% at £(18.0) million. Corporate expenses were £8.6 million while finance costs were reduced to £5.0 million. The charge for share based payments was also increased to £1.3 million.

After a charge for exceptional items of £(32.0) million and a credit of £5.9 million for other non-underlying items the reported loss for the full year was reduced by 50% at £(13.1) million.

The balance sheet has been strengthened following the successful rights issue. We ended the year with net cash of £31.5 million compared to net debt of £(46.5) million last year.

Chief Executive's review
continued

Our International performance is testament to the quality and strength of our franchise partners and their knowledge of the countries in which they operate.

International growth despite ongoing economic and currency headwinds

	FY2014/15 52 weeks to 28 Mar 15	FY2013/14 52 weeks to 29 Mar 14	% change vs. last year
International like-for-like sales growth	+5.6%	+2.5%	–
International retail sales: constant currency	+12.4%	+9.3%	–
International retail sales: actual currency	+2.1%	+6.5%	–
International retail sales	£737.3m	£721.9m	+2.1%
International wholesale sales	£8.1m	£7.3m	+11.0%
Total International sales	£745.4m	£729.2m	+2.2%
Underlying profit	£45.9m	£45.3m	+1.3%

International has once again demonstrated its resilience in the face of the growing challenges of economic and currency headwinds. Together with our partners we were able to drive like-for-like sales growth while also growing space, which contributed to sales growth both in constant and actual currency. This performance is testament to the quality and strength of our franchise partners and their knowledge of the countries in which they operate, all of which bodes well for our future growth.

Expanding further internationally
Overall, our franchise partners grew space by 9.0% year-on-year and added 52 stores and 239,000 sq.ft. of retail space to the store estate. We are continually looking for ways to maximise the potential and quality of our International business, which includes entering new markets, opening new stores, extending existing stores and closing underperforming stores where appropriate. In particular, this year we opened four stores in a new territory – South Korea. We also agreed to close our ELC stores in South Africa, which were small inserts in department stores. In Russia our franchise partner for ELC is working towards opening larger stores and so closed a few smaller stores in preparation for this change. Since the year-end, we sold our stake in the Indian joint venture – the country now operates on a pure franchise basis.

International like-for-like sales grew by 5.6% with all four regions – Europe including Russia, Middle East & Africa, Asia and Latin America – making a positive contribution. International retail sales were up 12.4% in constant currency, with all four regions delivering double-digit growth. However currency moves have had an adverse impact, particularly in Europe including Russia. As a result retail sales in actual currency were up just 2.1% year-on-year at £737 million. Wholesale sales were up 11.0% at £8 million, which resulted in total International sales growth of 2.2% at £745 million.

Supported by this ongoing level of growth, International now accounts for 64% of worldwide space and 62% of worldwide sales.

Reported International sales, which reflect receipts from our partners, were down (2.6)% at £256 million. Underlying profit for our International business was up 1% at £45.9 million in spite of a negative currency impact of c£(3.0) million.

Europe, including Russia, remains our largest region with 492 stores in 28 countries. Despite the economic and currency headwinds in this region, our franchise partners are continuing to develop their businesses. In particular our franchise partners in Russia have continued with their strategy of moving to larger stores. Overall space was up c7% year-on-year which, along with positive like-for-like sales growth,

Like-for-like sales growth

+5.6% International; +2.0% UK

Online penetration

1.2% of International; 30.2% of UK sales

supported low-double-digit constant currency growth for the year. However, this region has seen the greatest impact from currency moves. Despite our policy of hedging our foreign currency exposure, which gives us certainty of sterling receipts, actual retail sales were down mid-single-digit for the year. We now have transactional websites in Russia (Mothercare and ELC), Ukraine, Ireland, Turkey, Spain and Estonia.

The Middle East & Africa is our oldest region and now has 324 stores in 12 countries. During the year, we took the decision to exit South Africa by closing our ELC inserts in department stores, which had been underperforming for some time. This market was making additional demands on time and yet having a minimal impact on profits. Space was up c4% year-on-year, which combined with high-single-digit like-for-like sales growth delivered strong sales growth in both constant and actual currencies. We are currently redeveloping our website in Kuwait.

Asia continues to offer exciting high growth opportunities and now has 397 stores in 13 countries. We opened our first four stores in South Korea in the last quarter of the year. This market offers significant opportunity with a wealthy middle class, good quality retail space and a mature online market. Since the end of the year, we have exited our joint venture in India, which no longer needed our support to develop the business. India now operates on a pure franchise basis. Space was up c17% year-on-year with mid-single-digit like-for-like sales growth. Strong constant currency sales growth was diluted by ongoing currency devaluation which resulted in high single-digit sales growth in actual currency. Asia now has transactional websites in China, India and Indonesia.

Latin America is our smallest region with 60 stores in seven countries. Space was up c20%, which combined with single-digit like-for-like sales growth resulted in strong constant currency growth. With currency continuing to have an adverse impact, actual sales were up mid-single-digits. We currently do not have operational websites in this region.

Despite the economic and currency headwinds highlighted over the past year, our franchise partners have continued to develop their businesses and remain confident in the future. The foundations remain strong and the work we are doing with product and the supply chain is beginning to benefit our International business as well.

Chief Executive's review
continued

In the UK, we have made significant progress towards our target of returning to being a full price retailer.

UK losses reduced

	FY2014/15 52 weeks to 28 Mar 15	FY2013/14 52 weeks to 29 Mar 14	% change vs. last year
UK like-for-like sales growth	+2.0%	(1.9%)	–
UK online sales	£138.4m	£116.9m	+18.4%
UK retail sales (including online)	£425.7m	£432.6m	(1.6%)
UK wholesale sales	£32.4m	£29.7m	+9.1%
Total UK sales	£458.1m	£462.3m	(0.9%)
Underlying loss	(£18.0m)	(£21.5m)	+16.3%

We have made further progress towards our goal of returning the UK to profitability. Over the year, we have closed underperforming stores while also investing in product and service both online and in store. Additionally, we have trialled several new store formats. The result is that like-for-like sales have returned to growth, margins have stabilised and UK losses were reduced.

Stabilise and recapture margin

In the UK, we have made significant progress towards our target of returning to being a full price retailer. A year into our new trading approach, which has required a determined move away from ongoing discount and promotional activity, margins have stabilised and like-for-like sales have grown. Our customers are now getting a clearer message in that we are not a discounter but sell quality product at full price. Improvements in product and service, both online and in store, are further underpinning our overall strategy for the UK. We are making progress towards re-establishing ourselves as the clear first choice for expectant and new parents and their young children.

Our trading strategy of moving to shorter discount periods with clear promotions, has allowed us to drive full price sales over the whole year whilst also clearing our surplus product more effectively. At the same time, our sector has been undergoing significant change with a number of competitors either closing retail space or refocusing on core activity. This has resulted in a greater level of volatility throughout the year with competitors discounting aggressively. We are now through this period and the market appears to be more stable. Despite this backdrop, it is encouraging to note that like-for-like sales were up 2.0% year-on-year and that margins were broadly flat on the previous year, after five years of decline in both.

Become a digitally led business

Our online business has continued to grow strongly over the year and online sales were up c18% to £138 million, which now accounts for c30% (FY2013/14: c25%) of total UK sales. Mobile and click-and-collect continue to grow and now represent 82% of online sessions and 36% of online orders respectively.

As part of our strategy of becoming a digital business, we introduced iPads into all our stores during the second quarter of the year. The benefits were two-fold. Firstly we were able to place orders for customers while serving them – showing them reviews/product videos and generally using the functionality of the web to improve service. Secondly we were able to introduce a consumer finance package, applications for which can be completed on the iPad in as little as five minutes. These finance packages allow our customers to spread their payments when purchasing more expensive products. The result of these changes is a significantly improved online service for customers whilst in our stores, resulting in online orders from stores growing c48% during the year. This strong online performance has helped underpin our UK like-for-like sales growth.

Supported by a modern retail estate
As part of our plans to modernise and realign our UK store portfolio, we completed full refurbishments for our Solihull and Gateshead stores and converted our stores in Peckham, Woolwich, Surrey Quays, Cheltenham and Livingston to a new clothing biased format. These trial formats are encouragingly showing early signs of improved cash margin and store profitability. In addition, we closed 31 underperforming stores (14 Mothercare and 17 Early Learning Centre) resulting in a £2.3 million benefit for the year. We ended the year with 189 stores (175 Mothercare and 14 Early Learning Centre) or 1.7 million sq.ft. of retail space. Our store portfolio is continuing to migrate to larger stores with 96 out-of-town Mothercare stores and 79 Mothercare in town and 14 ELC in town stores. These closures meant space was down (4.5)% year-on-year, which coupled with positive like-for-like sales resulted in a (0.9)% reduction in total UK sales to £458 million. We have now put in place plans to refurbish 35-40 stores in the year ahead.

Running a lean organisation
Over the year we have continued to manage our cost base tightly whilst also putting in place modern retailing practices and have taken the opportunity to invest in the team. We restructured working patterns in our stores to put more of our team on the shop floor at peak times and made further progress towards reducing stock in the business. This continued focus on running a lean organisation along with stabilised margins and like-for-like growth has helped reduce losses for the year to £(18.0) million.

Offering style, quality and innovation in product and great service
In addition to the improvements implemented online and in store, we have invested into each of our product areas.

In **Clothing & footwear**, our priority has been to improve our product and pricing architecture. In addition to extending the reach of our own-bought 'Best' ranges – Little Bird and Baby K – into more stores, we have introduced ranges from Converse Baby and Kids, Envie de Fraises, French Connection, Joules, Mamas & Papas, Name it, Mamalicious and Original Penguin. These new ranges are available online and in selected stores. This new approach to product has helped deliver more full-price sales both online and in our stores. We have also introduced more newness over the course of the year through more frequent phases of product and by trialling production closer to the UK to allow us to react more quickly to trends.

Home & travel has responded particularly well to the changes we have made to the quality of ranges online and in store. Our product and price architecture is clearer, which has been further strengthened by the introduction of additional new brands, exclusive ranges and more newness. Online and in store product displays have also been improved, supported by our brands. These changes have encouraged brands like Cybex, iCandy, Mamas & Papas and EasyWalker, amongst others, to retail their ranges online and through our stores.

Whilst attracting new brands, we are also investing in our Mothercare own-brand and designed product ranges. These complement the branded ranges that sit mainly at the 'Better' and 'Best' end of the product and price architecture.

In **ELC Toys** we are also working towards increasing newness and the level of educational toys across the ranges. Our International markets have a higher proportion of branded product in their product mix, which creates a clearer price architecture and we have learnt from this experience. As a result, we are introducing more branded product into our ranges in the UK and are launching LeapFrog, Fisher Price, VTech and Lego, all of which will be aimed at the younger child.

Summary and outlook
We have delivered an improvement in the Group's underlying profits for the year with International profits marginally ahead in spite of adverse currency impacts and UK losses reduced.

Our International partners have delivered growth in space, sales and profit in spite of economic and currency headwinds. We believe the underlying International businesses remain robust and will emerge from the current uncertainty stronger and more stable.

In the UK, we have stabilised margins and returned to like-for-like sales growth for the first time in five years. We continue to work hard to improve the style, quality, design and innovation across all our product areas whilst also improving service and presentation online and in store. Our approach is helping us to attract new brands into the business and is encouraging them to deliver exclusive product to us, which is improving our customer proposition.

Trading conditions may remain challenging in the year ahead as many of our International markets are still having to navigate economic volatility and foreign currency headwinds. However, we are building on an already strong base and are exploring new growth opportunities in existing and new markets whilst also opening more territories online. During the first half of the year, the UK will anniversary our new trading strategy.

We shall continue to develop our business to become digitally led by investing in our online platform. At the same time, in line with the plans we communicated last year, we will modernise and refurbish 35-40 stores whilst closing 25-30 underperforming stores.

There is much work to be done across the Group as we implement our strategy. We recognise that there will be volatility in the year ahead but we are nevertheless excited by the opportunity we have around the world.

Our vision remains clear – to be the leading global retailer for parents and young children.

Mark Newton-Jones
Chief Executive Officer – UK

Strategic pillars

1
Become a digitally led business

Consumers are increasingly researching and buying product online, with a growing demand for 24/7 availability and our customers are no different. They are savvy 25-35 year olds who are connected digitally, via social media and on mobile. We need to cater to the needs of these consumers and convert them into loyal customers.

We have made progress against this goal. Online sales now account for 30.2% of total UK sales and 1.2% of total International sales.

In the UK, we improved our online service by refining the functionality of our online platform – adding better and improved photography, adding video where appropriate, encouraging customers to review product and investing in availability and delivery options. In addition we introduced iPads to all stores which has significantly enhanced the ability of our in store colleagues to advise customers and ensure they purchase product appropriate for their needs. As a result UK online sales grew by 18.4% to £138 million.

We are working with our International partners to develop further their multi-channel retail offerings.

See KPI 1

2
Supported by a modern retail estate

We conducted a full review of our UK store estate in 2014. We now have a blueprint for the future, which forms the basis for managing our UK store portfolio and we are now moving towards proactively managing our store estate through a combination of store closures, relocations and refurbishments.

We closed a further 31 loss-making stores during the year, finishing the year with 189 stores or 1.7 million sq.ft. of retail space. This exercise has resulted in a £2.3 million benefit for the UK business.

Over the last few years there has been a shift in footfall away from the high street and towards destination out-of-town stores and our customers are no different. We have as a result taken a conscious decision to migrate our store portfolio to reflect this shift in our customers' shopping preferences. So whilst we have closed many of our stand-alone ELC stores, space dedicated to ELC remains unchanged as we have added inserts into our larger Mothercare stores. As a result we now have 127 such departments for ELC in store.

In addition, we aim to refresh our entire remaining store portfolio. The rights issue gives us the capital to do so and we will build on the experience gained from recent refurbishments like Gateshead and Solihull.

See KPI 2

3
Offering style, quality and innovation in product and great service

A modern store estate needs great product and service. We aim to invest in product, stretching our range and price architecture with a wider choice at the upper levels of our 'Good', 'Better', 'Best' offering. This will include supporting our own ranges with selected branded product, which offers a point of difference for our customers.

Our ranges have focused mainly on own brand product. There is scope to add a point of difference by introducing more branded product to our ranges, which offer exclusivity and newness. Clothing & footwear has mainly been own brand and we started to introduce selective ranges (see Product on pages 22 and 23) that have helped to extend our product and price architecture. In Home & travel, we have increased the level of exclusivity from our branded manufacturers whilst also introducing new brands like iCandy, Mamas & Papas and EasyWalker. In Toys, we are working towards increasing the level of newness while also introducing selective brands that fit well with our ranges, like Fisher Price, LeapFrog, Lego and VTech.

See KPI 3

4 Stabilise and recapture margin

In the UK we aim to return to being a full price retailer. We will do this by reducing the level of discounting and markdown activity and shortening our promotional periods. This will give our customers a clear message on product and pricing.

In the UK, we have made significant progress towards our target of returning to being a full price retailer. A year into our new trading strategy of moving to shorter and clear promotional periods, mid-season and end-of-season, customers are now getting a clearer message in terms of our pricing proposition. This pricing message is underpinned by improved product presentation and service both in store and online.

As a result of our new trading strategy, we have been able to stabilise margin after five years of declines. We now have a stable base from which to build upon in the years ahead.

See KPI 4

5 Running a lean organisation while investing for the future

It is our intention to maintain a lean cost organisation by continuing to make improvements in working capital efficiency through the management of inventory levels, supplier relationships and active management of our resources, investment and cost base.

Whilst improving the performance of the UK business will require some investment, we will keep to a tight control on costs.

This last year has required some investment into teams, as we have built up the expertise that will help to deliver on our strategy. Over the last year we have delivered a 1% reduction in our rental bill and have further reduced inventories by 2.5%. These gains have been offset by an increase in our staff costs as we have invested in building the right team and also paying a bonus to our staff in recognition of the hard work that has gone into the business over the last year.

See KPI 5

6 Expanding further internationally

Our International business now spans four regions – Europe including Russia, Asia, Middle East & Africa and Latin America, with more than 40 franchise partners and 1,273 stores in 60 countries. We aim to continue to grow space in existing countries while also seeking out opportunities in territories where we do not already have a presence.

Over the last year, our International partners added 9.0% in terms of new space. This was in spite of ongoing economic and foreign currency headwinds experienced in many of the countries in which we operate. In addition like-for-like sales were up a healthy 5.6%, highlighting the opportunity that still exists in the markets in which we already have a presence. Importantly, we were able to open our first four stores in a new country – South Korea, which offers significant opportunity with a wealthy middle class and good economic fundamentals and birth rates.

We believe there is still significant opportunity internationally as we have not as yet begun to exploit the opportunity that online still offers.

See KPI 6

KPIs
Measuring our performance

Following our strategic review, we have changed our KPIs to measure our future progressions and success against the six pillars.

1 Online sales

UK

£138.4m +18.4%

International

£9.0m

Starting from a low base, our partners have started their online journey.

4 UK margin

2 UK store estate invested in

UK

4.5%

4.5% of the UK store estate (sq.ft.) was refurbished since the beginning of FY2015.

5 Running a lean organisation

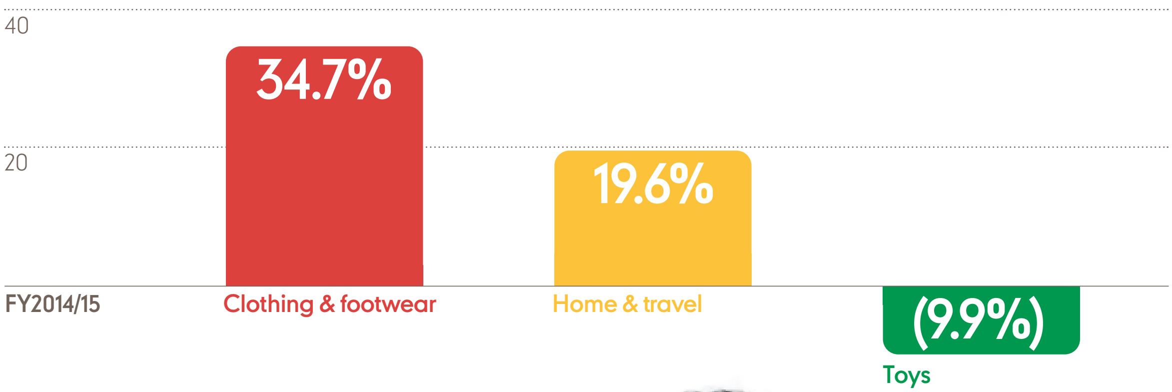
Inventory – days cover

45 days

3

Product mix

Growth in branded product sales



6

International growth

Constant currency sales growth

+12.4%

Risks
Principal risks and uncertainties

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

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

The Company has set out its clear strategic objectives against which it measures performance and the risks associated with these objectives are considered under four headings:

- Financial
- Operational
- Manufacturing and product
- People and infrastructure.

The Company must report its principal risks and uncertainties in its annual Strategic Report, in addition to providing some explanation of its internal risk management process. The table below sets out the principal risks and uncertainties, and indicates the directional change of perceived net risk over the year. The risks in this table are broadly consistent with the risks outlined in the prospectus issued in September 2014 in connection with the rights issue.

Financial

Risk description	Impact	Mitigation	Change on last year
• The retail markets in which the Group and its franchise partners operate are highly competitive, with few barriers to entry	• If the Group, its franchise partners or its wholesale customers are unable to compete successfully in the UK or overseas markets, this may have a material adverse effect on the Group's business, results of operation or financial condition	• The Group has encouraged its franchise partners to establish a multi-channel approach to their respective markets • Introduction of value ranges and exclusive branded products • Keeping the product offering relevant for our target market and core customers • UK store refurbishment programme will provide a roadmap for franchise partners	
• The anticipated turnaround of the Group's UK business may not be achievable if it fails to implement effectively key aspects of its new strategic plan	• The Group is unable to compete with other key players in the UK, including multi-channel retailers as well as internet only businesses causing the Group's in-store sales to decline and reduce profits	• Rigorous project governance managing the key spend areas of store refurbishment and IT systems with audit oversight • Strategic plan to refurbish all ongoing stores, varying from light touch re-fits to full refurbishment, within the three-year plan • Low inflation and fuel prices driving consumer spending power • Maintaining a lean organisation through tight management of resources and controlling the Group's cost base • Simplify customers' online journey and enhance the customer experience by way of improved photo and video presentation and customer reviews • Improve the product delivery proposition, including enabling customers to better track their product orders and provide greater convenience and choice as to delivery and collection points	

Key:

	Increase in risk over the year
	No change
	New risk

Financial continued

Risk description	Impact	Mitigation	Change on last year
• The Group relies on forecasts of like-for-like sales in both of its UK and International businesses; any shortfall in like-for-like sales, particularly in the UK, could impact the Group's results materially	• If the directors make plans or decisions based on certain like-for-like sales assumptions that prove to be inaccurate, this could have a material adverse effect on the Group's business, results of operations or financial condition	• Ensuring cost prices and supplier terms are beneficial to the Group by building on its established supplier relationships • Improvements in stock management and reduced inventory to decrease markdown activity • Improving customer service to encourage customers to spend more in stores	
• The Group may be affected by challenging economic conditions and political developments affecting the UK and international markets in which it operates	• As the UK economy continues to strengthen, the economic and political uncertainty enveloping eastern and southern Europe, in particular Russia where Mothercare has a substantial presence, Ukraine and Greece, could have a material adverse effect on the Group's business	• Focus on the political and fiscal situation that is unfolding in Russia and Greece • Improved products, presentation and service, including exclusivity in branded offerings • Improved customer service with investment in training of management and store teams to improve the quality and consistency • Improved customer propositions targeting improved credit finance proposition in partnership with third party credit providers, personal shopping and online booking of specialist services and activities in store	
• The Group's results of operation may be affected by foreign exchange risk	• Hedging foreign exchange does not eliminate the Group's exchange or interest rate risks entirely and may not be fully effective. Any significant losses on the Group's hedging positions could have a material adverse effect on the Group's business, results of operations or financial condition	• Group's hedging policy agreed by the Board • The largest five franchisees have their trading currencies hedged • Hedging undertaken by Treasury signed off by Director of Finance, using six to nine month horizon for the five largest franchisees and 15 months for US dollar exposure • Limited exposure to Eurozone countries	

Risks
Principal risks and uncertainties continued

Operational

Risk description	Impact	Mitigation	Change on last year
• The Group's revenue is dependent on footfall; the shift in consumer purchasing habits towards on-line and mobile channels will challenge the traditional business model and affect sales from the Group's UK store portfolio and the profitability of each store	• The Group's revenue may be adversely affected if its retail destinations decrease in popularity with its core customer base	• Relocate from non-profit making stores to areas of the UK where demographics are more favourable to the target market • Shift the bricks and mortar emphasis away from failing high streets to town centres, shopping centres and within department stores where consumer traffic is increasing • Fitting of modern fixtures to enable increased product density and better and more consistent product presentation across stores • Bringing all stores up to a good level of finish in terms of general decoration, branding, lighting, signage and facilities, including toilets, feeding and customer changing facilities • Improvement in online service and website	=
• The Group is materially dependent on a small number of franchise partners that make up a significant proportion of its International business	• Any damage to, or loss of, the Group's relationship with Alshaya or any of its other key franchise partners could have a material adverse effect on the Group's business, results of operation or financial condition	• Strong personal and business relationships built up over a long time with key franchise partners • Regular senior management visits to key franchise partners' markets • Credit insurance in place for the major franchisees • Development plan agreed for franchise markets	N
• The Group may not be successful in reshaping the UK store footprint and building and further developing its existing online retail platform in the UK	• Failure to reshape the UK store footprint in line with the strategic plan could have a material adverse effect on the Group's ability to turnaround its UK business and, in turn, restore its profitability	• £25 million earmarked for store closures and initially £20 million to refurbish stores to drive sales densities • Highly competent operators with major store re-fit programme skills employed to manage the project • Initial list of stores earmarked for refurbishment during Q1 & Q2 of FY2016 complete • Planning for future warehousing capacity to underpin multi-channel retailing is in place • Investment in digital screens and video walls, iPads, customer Wi-Fi and click and collect enhancements into all stores • Significant investment in IT systems and infrastructure to support multi-channel retailing	N

Key:

▲	Increase in risk over the year
=	No change
N	New risk

Operational continued

Risk description	Impact	Mitigation	Change on last year
• The Group's trademarks are central to the value of the Mothercare and ELC brands. The Group may not be able to protect these trademarks in its International markets meaning that these rights may be challenged or invalidated in the future	• If the Group is unable to defend successfully against allegations of infringement, it may face sanctions which could result in negative publicity, significant expense and may have a material adverse effect on the Group's financial condition and results of operation	• Group's trademarks are lodged in all new countries where International is expanding • Intellectual property awareness courses are run for buying & merchandising • Search facilities available through Company Secretariat • Guidance documents on maintenance of intellectual property issues	N
• The Group intends to make significant change to the UK business over a short period of time	• If the Group is unable to manage change effectively, there could be delays or inefficiencies arising	• The Executive Committee has created a property steering committee and IT steering committee to oversee change • The Group has invested in a property management team	N

Manufacturing and product

Risk description	Impact	Mitigation	Change on last year
• The Group is (and the product it sells are) subject to extensive UK, EU and International legislation and regulation	• Failure to comply with applicable laws, regulations and/or judicial and/or regulatory authority determinations may result in civil or criminal sanctions, including fines, injunctions, product recalls, asset seizures, revocation of licences and regulatory authorisations and adversely affect customers' perception of the Group and its brand image, any of which could adversely affect the Group's business, results of operations or financial condition	• The Group uses Bureau Veritas as specialists for regulatory requirements by country • In-house technologists manage the process and have exited poorly performing suppliers	=

Risks
Principal risks and uncertainties continued

Manufacturing and product continued

Risk description	Impact	Mitigation	Change on last year
• The Group's brands and reputation are key to its success both in the UK and internationally; any damage to the Group's brands or concerns relating to its products (including their quality or safety) could have a material adverse effect on the business	• Any perceived or actual concerns related to the Group's products, supply chain or its franchise partners and/or its wholesale customers may be widely disseminated online, on consumer blogs or other social media sites or via print or broadcast media. Similarly, any litigation that the Group may face could subject it to increasing negative attention in the press	• Significant group investment in product quality management resource • High standards communicated throughout supply chain with in-house responsible sourcing team working in Bangladesh, India and China • Global code of conduct communicated and applied through the system • Focus on pre despatch quality checks • Established product recall process managed by crisis management team • The Company participates in the Bangladesh Safety Accord	
• The Group's business is materially dependent on its ability to source products successfully from its suppliers, most of which are based outside the UK. The Group relies on its manufacturers, suppliers and distributors to comply with employment, environmental and other laws	• If the Group is unable to secure ongoing support, or attractive commercial terms from its existing suppliers, or is unable to find replacement suppliers in the event of a particular source of supply no longer being available, this could have a material adverse effect on the Group's stock management, profitability and competitiveness and may result in a loss of market share	• Company Code of Conduct and Conflict of Interest – compliance self-certification • New corporate responsibility manager up-skilling the Group's in-house responsible sourcing team working in Bangladesh, India and China • Franchise partners can and do source product from their local market • The Group may increase sourcing volumes from within the EU and use emerging markets such as Vietnam and Cambodia as alternative sourcing countries	
• The Group relies on its ability to improve existing products and successfully develop and launch new innovatory products	• Failure to bring new innovatory product to the market may have a material adverse effect on the Group's business, results of operation or financial condition	• The Group is seeking to shorten product lead times and restructure its "Good, Better, Best" product architecture • Demonstrate good value products across all price points and supplement these with exclusive third-party products and new brands • Enhance the customer experience in-store through newly refurbished stores with improved presentation and merchandising standards	

Key:

◆	Increase in risk over the year
⊜	No change
Ⓝ	New risk

People and infrastructure

Risk description	Impact	Mitigation	Change on last year
• The Group's future success depends on the performance of its key senior management and the ability to attract and retain high quality and highly skilled personnel	• Any failure to attract and retain key personnel to meet the Group's operational needs may delay or curtail the achievement of major strategic objectives and could have a material adverse effect on the continuity of the Group's operations	• Share option bonus scheme open to all employees • Share Save scheme open to all employees • Performance related bonus scheme open to all employees • Regular performance reviews against objectives	No change
• Any unauthorised access or disclosure of confidential information stored or obtained by the Group, either by criminal cyber-attack or a speculative loner, could have a material effect on its business	• If any third party with whom the Group interacts violates applicable laws or the Group's data protection policies, whether intended or not, this could result in legal claims or regulatory action which may subject the Group to liability and litigation	• The rollout of an end-to-end encrypted Pin Entry Device (PED) to the store estate will significantly increase the Group's compliance to PCI DSS • No customer cardholder detail is kept on internal systems • All sensitive and confidential information that falls within the Data Protection Act is overseen by the risk committee	No change
• The Group supplies and sources its products in a number of countries in which bribery and corruption pose significant risks	• The Group also deals with a significant amount of cash in its operations and is subject to various reporting and anti-money laundering regulations. Any violation of money- laundering laws or regulations by the Group could have a material adverse effect on its business, reputation or results of operations	• Company Code of Conduct and Conflict of Interest – compliance self-certification • In-house responsible sourcing team working in Bangladesh, India and China	No change

Business model

The Mothercare business model describes how we operate and create value for shareholders, our customers and other key stakeholders

The resources we have

Shareholders' equity
£78m

Cash in bank
£32m

Employees
5,433

Franchisee partners
c 40

Suppliers
1,837
with orders worth c £640m

What differentiates us

Trusted own brand

Exclusive product

Expertise and service

Understanding customers
2m on database

Develop ranges
Innovates, quality and style

Effective logistics
6 DCs
2 hubs

Manage Risks

Efficient sourcing
Direct sourcing
15 countries
7 offices

Full service vendors
314 suppliers
30 countries

Our vision is to be the leading global retailer for parents and young children

The products we offer

Home & travel
280 brands
13,030 products

Clothing & footwear
30 brands
21,061 products

Toys
42 brands
2,100 products

How our customers buy from us

UK Stores
93 in town
96 out of town

UK online
30% of UK sales

International
10 countries online
1,273 stores

How we create value for stakeholders

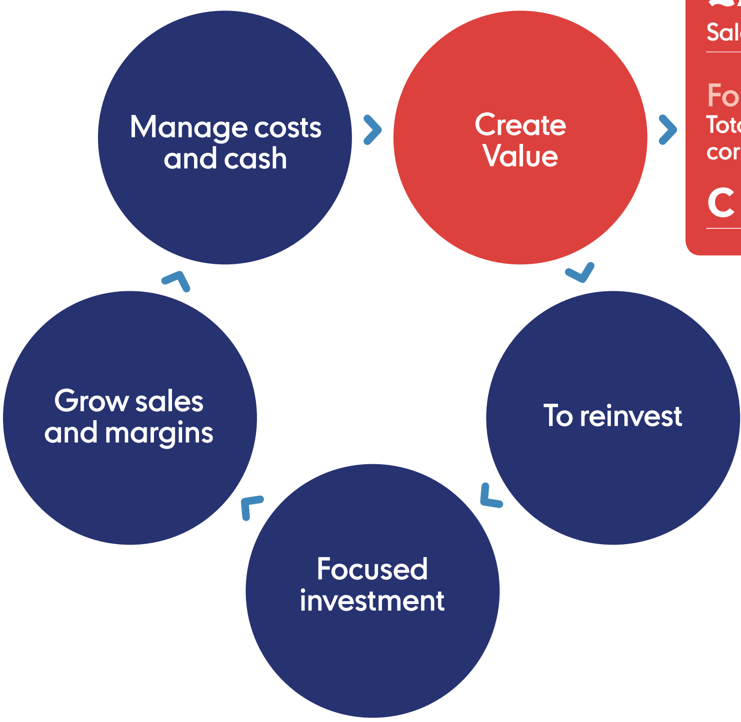
For customers
Worldwide sales
£1,203m

For employees
Total pay and benefits
£75m

For supplier
£640m
Total payment

For franchisees
£745m
Sales

For social
Total paid UK VAT, NIC, corporation tax
c £70m



Operational review

Karl Doyle
Group Product Director
Karl oversees the design, manufacturing and sourcing of all our ranges for both International and the UK.

Product

Over the last year, we have, reassessed our ranges across all three product categories. Following market research and customer surveys, we believe we have an improved understanding of the needs of our customer base. We now understand our strengths and where we need to invest further.

We are working towards clear ranges across our product and price architecture offering 'Good', 'Better' and 'Best' differentiation for our customers across all three product categories.

To do so, we have:

- Improved style and quality
- Delivered better value for money
- Increased newness
- Introduced unique branded product
- Increased gifting

Clothing & footwear

Over the last year we have begun our journey of re-engaging with our customer base and in doing so have developed a better understanding of their needs. This has resulted in refocused clothing ranges and extended footwear ranges.

We have simplified and built our ranges in such a way that it is now easier for parents to shop across our ranges and build entire outfits (t-shirt, trousers and jumper or dress, tights and cardigan) easily and confidently. Recognising that we had too much choice with best-sellers selling out too quickly, we have reduced our option count by c20%, which has allowed us to buy more deeply and ensure our customers have our best-selling ranges in store for longer. To ensure continuity of product in stores, we are also trialling manufacturing product closer to home. For the first time, this year, we successfully used Turkey to replenish product.

Introduced branded product to sit alongside our own brands to give a better mix of product.

- Baby K by Myleene Klass
- Converse Baby
- Converse Kids
- French Connection
- Joules
- Little Bird by Jools Oliver
- Mamas & Papas
- Name it
- Original Penguin

Launched in October 2014 and sold c25,000 units with sales of c£0.3 million

Home & travel

Home & travel has responded particularly well to the changes we have made to the ranges in-store and online. Our product and price architecture is clearer, which has been further strengthened by the introduction of additional new brands, exclusive ranges and more newness. In-store and online product displays have also been enhanced, which has helped customers make more informed choices at the point of purchase.

Our Mothercare own brand product complements the branded ranges, which are mainly at the 'Better' and 'Best' end of the product and price architecture. We are investing in our own ranges to ensure they keep up with the improvements we are seeing in the branded ranges.

Our promotional stance has also been more focused over the year. We promote product only at specific times and for a short window, which is helping restore our position as a full price retailer.

Silver Cross
c12,000 units
sold with sales of £2.2 million

iCandy
c12,000 units
sold over three promotional periods with a 740% increase in sales to £3 million

ELC Wooden Train Table
sold at full price only, sold fewer units but increased cash margin by 71%

Toys

Early Learning Centre had its 40th year in 2014, which we celebrated in-store and online with limited edition Teddy Bears.

This has been another challenging year with the toy market continuing to be dominated by discount activity, particularly during peak trading periods. We have reviewed our ranges and believe an increase in newness as well as an increase in branded product will help to develop our brand credentials and differentiate ourselves within the overall toy market. These initiatives are already underway and should be in place in time for the launch of our new ranges for autumn/winter 2015.

Taking the cue from our International markets where there is a higher percentage of branded product in the sales mix, we have started to increase branded product in our sales mix in the UK as well. In particular, we have relaunched LeapFrog, Fisher Price and VTech and introduced Lego in a selective number of stores. We are also increasing our ranges that are aligned to the UK national curriculum, taking us back to our roots of educational toys.

Happyland Cherry Lane Cottage
c30,000 units
sold with sales of over £0.7 million, up 280% and no promotional activity

Operational review
continued

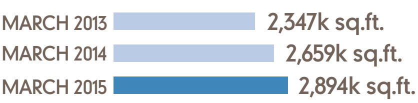
International

We now have 1,273 stores (or 2.9 million sq. ft. of retail space) across 60 countries and were able to grow sales by 12.4% in constant currency.

Jerry Cull
Managing Director – International

Jerry is responsible for our International business, overseeing its development both in existing and new markets.

International space



+5.6%

International like-for-like sales

The underlying International businesses remain resilient with continued growth in constant currency.

International has once again demonstrated its resilience in the face of the growing challenges of economic and currency volatility. Our partners were able to drive like-for-like sales growth of 5.6% while also growing space by 9.0%. This performance gives me real confidence in the underlying strength of our International partnerships and their ability to continue to build on the strong foundations already in place.

We now have 1,273 stores (or 2.9 million sq.ft. of retail space) across 60 countries. Together these stores delivered constant currency sales growth of 12.4%. Taking the currency effect and our smaller wholesale business into account, reported sales were up 2.2% at £745.4 million. Profits, after reduced JV losses, were up 1.3% at £45.9 million.

Whilst it is not unusual to see ongoing change across our International business, this year has been particularly busy with a higher than average churn in space as we have continued to strengthen the underlying business. **Europe** had another tough year with an increased level of currency volatility affecting Russia and adjoining countries. Our partners have worked through these issues, taking on some of the pain while keeping an eye on the longer-term. Whilst we have not exited space, we are being more cautious when considering new store openings. In particular, we began our migration to larger ELC stores in Russia by closing the smaller bays but continuing to grow space overall. The business remains healthy having seen mid-single-digit like-for-like sales growth and double-digit constant currency growth. The **Middle East** delivered on expectations with strong single-digit like-for-like sales growth and double digit sales growth in both constant and actual currencies. This was despite closing our underperforming ELC department store inserts in South Africa, which had a very limited impact on profits. **Asia** remains an area of growth for us and delivered mid-single-digit like-for-like sales and double-digit space growth. We opened our first stores in South Korea, where an under serviced yet wealthy middle class underpin our ambitious future growth plans. Since the year-end we also sold our stake in the India JV as the franchise had achieved critical mass and was no longer in need of additional support. **Latin America** is still relatively new, but here too we saw double-digit space growth combined with single-digit like-for-like sales growth.

Our partners have made further progress towards our overall goal of moving to a multi-channel format similar to that in the UK. We now have websites in 10 countries which contributed 1.2% to total International retail sales. Whilst we still have some way to go, this is a good start and gives our partners a base from which to build upon.

So reflecting on the year, I am pleased to note that despite the challenges, we can look forward to building on a strong foundation. Our franchise partners are in this business for the long-term, which helps to set our plans for the future.

Jerry Cull
Managing Director – International

The introduction of iPads into stores saw a step-change in conversion rates and provided store staff with added functionality.

Matt Stringer
Chief Operating Officer

Matt is responsible for our UK online and store business, overseeing the investment into stores and service.

UK space

+2.0%

UK like-for-like sales

Online growth, particularly from stores, is helping underpin like-for-like sales growth.

UK

UK operating losses were reduced once again, moving us closer to returning the UK to profitability. Our new trading strategy has helped stabilise margin while our work around product and service, both in store and online, has seen like-for-like sales return to growth. We have also made further progress with realigning our store portfolio, but there is still more to do. With the rights issue completed, we are now in a good position to make faster progress.

In line with our strategy of exiting loss-making stores, we closed 31 stores during the year, which reduced space by a further 4.5% and resulted in a £2.3 million benefit for the business. In addition, the improvements to trading resulted in a £4.9 million gain. However these gains were offset somewhat by an increase in costs as we invested in the future of the business. Overall the business reduced losses by 16.3% and delivered a loss £(18.0) million for the year.

Online has been a particular success for us this year. We invested not just in the functionality of our web platform but we also significantly improved product display with more photos, videos and customer reviews. In addition the introduction of iPads into stores saw a step-change in conversion rates and also provided store staff with the added functionality of being able to offer customers credit instantly when purchasing larger, more expensive products.

Our store strategy is to migrate to out-of-town stores with ELC inserts in the larger Mothercare stores. Our current store portfolio of 189 stores has 175 Mothercare stores accounting for 98.4% of our UK space including ELC inserts in Mothercare stores. Whilst we are closing many of our ELC standalone stores, the brand remains important to us and we have 127 inserts in our larger Mothercare stores. This allows us to offer a complete range of product for our customers. We are also trialling coffee shops and an extension to older years as it encourages dwell time and gives parents with older children a reason to come to our stores. The Gateshead and Solihull store refurbishments are good examples of what we would like to accomplish over the next few years. Our plan envisages refurbishing all our stores, which will give a significant boost to an estate that has not seen much in terms of investment for more than a decade.

Investing in stores and online is important, to improve the presentation of our product and indeed our customers' shopping experience with us. However, no matter how good our websites and physical stores look, product improvements must come first. We are introducing more newness across all three product categories, which is being augmented by an increase in the level of branded product across the ranges. In Clothing & footwear, the introduction of a select number of brands is helping our product and price architecture at the top, making it more aspirational. Home & travel has been successful increasing exclusivity and in attracting brands that would previously not have considered our stores, again helping us with our overall ranging. Toys has also seen an investment in newness, which will be in stores for Christmas.

Our new trading strategy of moving away from promotional and discount activity is working and is helping us once again establish ourselves as a full price retailer in the UK. This, along with the shifting competitive landscape, has allowed us to reaffirm our sector dominance and attract a number of brands, particularly in Home & travel. The result is clear in the stabilisation of margin for the first time in five years and four consecutive quarters of like-for-like sales growth.

Matt Stringer
Chief Operating Officer

Financial review

Results summary

Group underlying profit before tax increased by £3.5 million to £13.0 million (2013/14: £9.5 million). Underlying profit excludes exceptional items and other non-underlying items which are analysed below.

After these non-underlying items, including property costs in relation to the store closure programme of £25.9 million and a non-cash positive foreign currency movement of £21.8 million compared with 2013/14, the Group recorded a pre-tax loss of £(13.1) million (2013/14: loss of £(26.3) million). Underlying profit from operations before interest and the IFRS 2 share based payments charge increased by £3.3 million to £19.3 million.

Income statement

£ million	52 weeks ended 28 March 2015	52 weeks ended 29 March 2014
Revenue	713.9	724.9
Underlying profit from operations before interest and share based payments	**19.3**	**16.0**
Share based payments	(1.3)	(0.1)
Net finance costs	(5.0)	(6.4)
Underlying profit before tax	**13.0**	**9.5**
Exceptional items	(32.0)	(19.9)
Non-cash foreign currency adjustments	6.9	(14.9)
Amortisation of intangible assets	(1.0)	(1.0)
Loss before tax	**(13.1)**	**(26.3)**
Underlying EPS – basic (pence)	8.6	7.7
EPS – basic (pence)	(12.6)	(31.0)

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

Results by segment

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

£ million – Revenue	52 weeks ended 28 March 2015	52 weeks ended 29 March 2014
UK	**458.1**	462.3
International	**255.8**	262.6
Total	**713.9**	724.9

£ million – Underlying Profit/(loss)	52 weeks ended 28 March 2015	52 weeks ended 29 March 2014
UK	(18.0)	(21.5)
International	45.9	45.3
Corporate	(8.6)	(7.8)
Profit from operations before share based payments	**19.3**	**16.0**
Share based payments	(1.3)	(0.1)
Net finance costs	(5.0)	(6.4)
Underlying profit before tax	**13.0**	**9.5**

UK sales have declined as a result of the planned closure of loss-making stores offset by a positive LFL of 2.0%. Profitability has however benefited from the removal of a net 31 loss-making stores during the year and delivering planned efficiencies.

International retail sales have increased 12.4% on a constant currency basis with all four regions delivering positive growth. As a result of the anticipated impact of currency movements, reported sales are down by 2.6%, with profit slightly up on last year.

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

Share based payments

Underlying profit before tax also includes a share based payments charge of £1.3 million (2013/14: £0.1 million) in relation to the Company's long-term incentive schemes. There are a number of long-term share based incentive schemes including the Long Term Incentive Plans, the Executive Share Option Scheme, the Performance Share Plan, the Save As You Earn schemes and the Company Share Option Plan. Full details can be found in note 28 to the consolidated financial statements.

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

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

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

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

	Reported sales		Worldwide sales*	
£ million	52 weeks ended 28 March 2015	52 weeks ended 29 March 2014	52 weeks ended 28 March 2015	52 weeks ended 29 March 2014
UK retail sales	425.7	432.6	425.7	432.6
UK wholesale sales	32.4	29.7	32.4	29.7
Total UK sales	458.1	462.3	458.1	462.3
International retail sales	247.7	255.3	737.3	721.9
International wholesale sales	8.1	7.3	8.1	7.3
Total International sales	255.8	262.6	745.4	729.2
Group sales/Group worldwide sales	**713.9**	**724.9**	**1,203.5**	**1,191.5**

* Estimated

Analysis of worldwide sales movement

£ million – Worldwide sales	
Sales for 52 weeks ended 29 March 2014	1,191.5
Currency impact	(66.0)
Pro forma sales for 52 weeks ended 29 March 2014	1,125.5
Increase in International LFL	34.1
Increase in International space	47.3
Increase in UK LFL	8.2
Decrease in UK space	(15.1)
Increase in wholesale	3.5
Sales for 52 weeks ended 28 March 2015	**1,203.5**

On a pro forma basis (i.e. excluding the currency impact) sales have grown by c. 7%. This is driven by a 5.6% increase in International like-for-like sales, a 9% increase in International space and UK like-for-like sales of 2%. This has been partly offset by UK store closures.

Financial review
continued

Analysis of profit movement

£ million – underlying profit before tax	
Underlying profit for 52 weeks ended 29 March 2014	9.5
Currency impact	(3.0)
Pro forma underlying profit for 52 weeks ended 29 March 2014	6.5
Increase in International volumes	3.8
UK closures of loss making stores	2.3
UK sales and margin improvement	4.9
Increase in costs	(4.5)
Underlying profit before tax for 52 weeks ended 28 March 2015	**13.0**

On a pro forma basis (i.e. excluding the currency impact) underlying profit has doubled. This is driven by the increase in International volumes, UK sales and margin improvement and the closure of UK loss making stores. This is partly offset by an increase in costs reflecting the investment in new resource to deliver the turnaround plan and an increase in share based payments.

Foreign exchange

The main exchange rates used to translate the consolidated income statement and balance sheet are set out below:

	52 weeks ended 28 March 2015	52 weeks ended 29 March 2014
Average:		
Russian rouble	**70.57**	52.31
Ukrainian hryvnia	**22.50**	13.16
Indonesian rupiah	**19,484**	17,264
Saudi riyal	**6.03**	5.95
Closing:		
Russian rouble	**88.67**	59.76
Ukrainian hryvnia	**34.77**	17.41
Indonesian rupiah	**19,499**	18,836
Saudi riyal	**5.61**	6.18

The principal currencies that impact our results are the Russian rouble, Ukrainian hryvnia, Indonesian rupiah and Saudi riyal. All these currencies weakened against sterling in the year. The net effect of currency translation caused worldwide sales and underlying operating profit from ongoing operations to decrease by £66 million and £3 million respectively compared with 2014 as shown below:

The profit impacts are somewhat mitigated by our hedging strategy on royalty receipts.

	Worldwide sales £ million	Underlying operating profit £ million
Russian rouble	(33.7)	(1.3)
Ukrainian hryvnia	(6.1)	(0.3)
Indonesian rupiah	(3.0)	(0.3)
Saudi riyal	(1.2)	(0.3)
Other Middle East countries	(3.3)	(0.3)
Other currencies	(18.7)	(0.5)
	(66.0)	**(3.0)**

In addition to the translation exposure, the Group is also exposed to movements on certain of its transactions, principally movements in the US dollar. These exposures are largely hedged and therefore did not significantly impact underlying profit.

Net finance cost

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

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Net interest on liabilities/return on assets on pension	**2.1**	2.7
Other net interest	**4.4**	4.5
Net finance costs	**6.5**	7.2

Taxation

The underlying tax charge consists of current overseas taxes and a prior year adjustment for UK taxes and is offset by UK deferred tax. The effective tax rate is 19.2% (2013/14: 28.4%) The effective tax rate is lower than the standard tax rate of 21% mainly due to the utilisation of brought forward tax losses. An underlying tax charge of £2.5 million (2013/14: £2.7 million) has been included for the period and in total the tax charge was £2.3 million (2013/14: £1.2 million). The cash tax payments were £2.4 million.

Non-underlying items

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

Exceptional items (see Note 6):

- Restructuring costs of the UK store and head office organisation, including strategic and refinancing costs relating to the rights issue completed in October 2014, totalling £9.1 million.
- Costs relating to refinancing completed in October 2014 of £1.5 million.
- A credit for the release of store impairment provision in relation to the UK business of £4.8 million.
- Property related exceptional costs of £25.9 million.

Exceptional items in 2013/14 included restructuring costs of the UK and head office organisation totalling £6.8 million, a credit of £1.2 million against previously charged costs incurred in the rationalisation of the Group's online warehousing, impairment of investment in Ukraine joint venture of £2.6 million, store impairment provision in relation to the UK business of £2.7 million, property related exceptional costs of £8.2 million and costs relating to refinancing completed in October 2013 of £0.8 million.

Other non-underlying items:

- Prior to January 2014 the Group did not adopt hedge accounting under IAS 39 "Financial Instruments: Recognition and Measurement." Therefore non-cash adjustments principally relate to mark to market adjustments of commercial foreign currency hedges taken out prior to January 2014 at the period end. This volatile adjustment does not affect the cash flows or ongoing profitability of the Group and reverses at the start of the next accounting period.
- Amortisation of intangible assets (excluding software).

Financial review
continued

Earnings per share and dividend

Basic underlying earnings per share were 8.6 pence compared to 7.7 pence last year. The total number of shares has increased by 81.7 million as at 2014/15 compared to 2013/14 due to the rights issue in October 2014.

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Weighted average number of shares in issue	**122.2**	88.7
Dilution – option schemes (for underlying results only)	**3.6**	1.3
Diluted weighted average number of shares in issue	**125.8**	90.0
Number of shares at period end	**170.5**	88.8
	£ million	**£ million**
Loss for basic and diluted earnings per share	**(15.4)**	(27.5)
Exceptional items and other non-underlying items (Note 6)	**26.1**	35.8
Tax effect of above items	**(0.2)**	(1.5)
Underlying earnings	**10.5**	6.8
		Pence
Basic loss per share	**(12.6)**	(31.0)
Basic underlying earnings per share	**8.6**	7.7
Diluted loss per share	**(12.6)**	(31.0)
Diluted underlying earnings per share	**8.3**	7.6

The Board has concluded that given the cash investment required to deliver the new strategy the Company will not pay a final dividend for 2014/15. The total dividend for the year is nil pence per share (2013/14: nil pence per share).

Pensions

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

£ million	52 weeks ending 26 March 2016*	52 weeks ended 28 March 2015	52 weeks ended 29 March 2014
Income statement			
Running costs	(3.0)	(1.4)	(1.1)
Net interest on liabilities/return on assets	(2.7)	(2.1)	(2.7)
Net charge	(5.7)	(3.5)	(3.8)
Cash funding			
Regular contributions	(2.1)	(0.6)	(0.6)
Deficit contributions	(7.7)	(5.8)	(5.6)
Total cash funding	(9.8)	(6.4)	(6.2)
Balance sheet			
Fair value of schemes' assets	n/a	283.4	253.3
Present value of defined benefit obligations	n/a	(364.6)	(303.0)
Net liability	n/a	(81.2)	(49.7)

* Estimate

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

	2014/15	2013/14	2014/15 Sensitivity	2014/15 Sensitivity £ million
Discount rate	3.5%	4.5%	+/- 0.1%	+6.6/-6.6
Inflation – RPI	3.1%	3.4%	+/- 0.1%	+6.1/-6.1
Inflation – CPI	2.0%	2.4%	+/- 0.1%	+6.1/-6.1

Cash flow

Underlying free cash flow was £(0.9) million with cash generated from operations of £18.0 million being broadly utilised by capital expenditure and financing/tax charges.

Capital expenditure of £12.7 million reflected the investment in the year in store refurbishment and IT infrastructure.

Working capital outflow of £9.8 million is higher than 2014 reflecting receivables on increased international sales partly offset by lower stock.

We received net proceeds of £93.7 million following the rights issue in October 2014 and £1.6 million relating to other share issues. This allowed the repayment of the bank loans of £65.0 million.

Financial review
continued

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Underlying profit from operations before interest and share based payments	**19.3**	16.0
Depreciation and amortisation	**16.7**	19.3
Retirement benefit schemes	**(5.0)**	(5.1)
Change in working capital	**(9.8)**	(4.6)
Other movements	**(3.2)**	(3.5)
Cash generated from operations	**18.0**	22.1
Capital expenditure	**(12.7)**	(13.8)
Interest and tax paid	**(6.2)**	(5.8)
Underlying free cash flow	**(0.9)**	2.5
Exceptional	**(16.7)**	(16.4)
Free cash flow	**(17.6)**	(13.9)
Net bank loans (repaid)/raised	**(65.0)**	15.0
Issue of ordinary share capital	**95.3**	0.2
Exchange differences	**1.5**	(1.6)
Cash and cash equivalents at beginning of period	**17.3**	17.6
Net cash and cash equivalents at end of period	**31.5**	17.3

Balance sheet

The balance sheet includes identifiable intangible assets arising on the acquisition of the Early Learning Centre of £6.2 million and goodwill of £26.8 million. These assets are allocated to the International business.

	28 March 2015 £ million	29 March 2014 £ million
Goodwill and other intangibles	**45.9**	44.2
Property, plant and equipment	**56.4**	59.6
Retirement benefit obligations (net of tax)	**(64.9)**	(39.8)
Net cash/(borrowings)	**31.5**	(46.5)
Derivative financial instruments	**9.3**	(6.6)
Other net liabilities	**(0.5)**	4.3
Net assets	**77.7**	15.2
Share capital and premium	**146.0**	50.7
Reserves	**(68.3)**	(35.5)
Total equity	**77.7**	15.2

Shareholders' funds amount to £77.7 million, an increase of £62.5 million in the year driven largely by the £95.3 million share issue, offset by an increase in the defined benefit obligation of £31.5 million. This represents £0.46 per share compared to £0.17 per share at the previous year end.

Going concern

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

During the year, the Group received £93.7 million of funds (net of expenses) from the rights issue and repaid the term loan and revolving credit facility in full. Under the multi-currency term and revolving facilities agreement referred to above, which was amended during the year, Barclays Bank PLC and HSBC Bank PLC provide the group with a credit facility to be used for general business purposes. During the year the agreement was amended and restated on two occasions: on 20 May 2014 with the credit facility being increased from £90 million to £100 million (and including a provision to provide further headroom on the financial covenants) available to be utilised until 10 October 2014; and again on 23 September 2014, such that following completion of the rights issue and the receipt of proceeds (which occurred on 30 October 2014), the term loan would be repaid in full and the credit facility would remain at £50 million. Further, the term of the amended agreement was extended to May 2018. The Group has therefore significantly improved its overall shareholder funds and its net cash position. This will enable the Group to deliver its new strategic plan which will return the UK business to profitability and provide a platform to accelerate international growth. At the end of the year the Group had a cash balance of £31.5 million and was debt free. The covenants in the facilities are reviewed monthly and tested as part of the forecast process and are based around gearing, fixed charge cover and guarantor cover.

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

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

Rights issue

On 30 October 2014, the Group received £93.7 million of funds (net of expenses) from the rights issue and subsequently re-paid the term loan and revolving credit facility in full.

The rights issue will enable the Group to deliver on its new strategic plan designed to turnaround the Group's UK business and to transform the Group into a digitally-led business, supported by a modern store estate, well-invested IT systems and an efficient operational infrastructure.

New banking facilities with the Group's existing banks were signed with the £50 million revolving credit facility expiring in May 2018.

Treasury policy and financial risk management

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

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

Foreign currency risk

All International sales to franchisees are invoiced in Pounds sterling or US dollars.

International reported sales represent approximately 36% of Group sales. Total International sales in the 52 week period represent approximately 62% of Group worldwide sales. The Group therefore has some currency exposure on these sales, but they are used to offset or hedge in part the Group's US dollar denominated product purchases. The Group policy is that all material exposures are hedged by using forward currency contracts. To help mitigate against the currency impact on royalty receipts, the Group has hedged against its major market currency exposure.

Interest rate risk

During the year the Group drew down on its term borrowing facility on the revolving credit facility. The Group hedged all of the floating interest rate on this term facility using interest rate swaps. At the year end the Group had no debt and therefore was not exposed to interest rate risk as it had been previously.

Events after the balance sheet date

On 8 May 2015 the Group disposed of its joint ventures in India, Rhea Retail Private Limited and Juno Retail Private Limited, for consideration of £2.9 million. There is not expected to be any profit or loss on disposal.

Corporate responsibility

At Mothercare we aim to ensure that we conduct ourselves responsibly, for all our customers, those involved with the manufacture of our products and their communities, and for the environment in which we operate.

Our corporate responsibility programme has four key pillars:

1 Responsible sourcing – ensuring that our suppliers and partners treat people with respect and dignity and offer them decent working conditions and pay.
2 Environment – understanding and reducing our environmental impacts.
3 People – investing in our people is fundamental to our success.
4 Communities – engaging with charities and communities.

The team comprises 10 Responsible Sourcing professionals, based in China, India and Bangladesh, reporting into the Group's Global Head of Corporate Responsibility. In addition, internal and external stakeholders contribute to the success of our Corporate Responsibility programme.

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

Highlights

In FY2015, the Mothercare Group:

- Exceeded its UK environmental targets to:
  - reduce greenhouse gas emissions from buildings and transport
  - reduce packaging per £100 of goods
  - recycle at least 90% of waste
- had 51% of senior management positions (below Board level) filled by women
- continued to drive its commitment to responsible sourcing.

The strategic direction of our Corporate Responsibility programme is developed and agreed through the Corporate Responsibility Steering Committee, which is chaired by two executive committee members: Karl Doyle, Group Product Director, and Tim Ashby, Group General Counsel/Company Secretary.

The Committee is made up of members of the senior management team from functions including finance, human resources and sourcing and reports to the Board through the Audit and Risk Committee.

1 Responsible Sourcing

Responsible sourcing of all Mothercare and ELC products is a major focus for our corporate responsibility work. We acknowledge the material risks and opportunities of our supply chains and aim to ensure that our suppliers treat their workers fairly.

Our approach

We are active members of the Ethical Trading Initiative (ETI) and our Code of Practice is based on the ETI's Base Code, which outlines the labour standards expected at factories. Before production is approved, all factories must provide an independent social audit to demonstrate that they comply with our Code. Our internal Responsible Sourcing (RS) teams based in our sourcing offices review and grade these audits.

Our RS teams cover Bangladesh, Cambodia, China, India, Sri Lanka and Vietnam where they carry out announced and unannounced assessments of factories and support them to implement improvements.

By using both third party audit information and our own internal teams, we increase the visibility of our supply chain and focus on working with factories to make sustainable improvements based on management systems which enables us to address any identified root causes.

Collaboration with Stakeholders

In addition to our own work, we believe that dialogue and collaboration with stakeholders such as other brands and retailers, investors, non-governmental organisations (NGOs), government and industry bodies, is the most effective way to influence long-lasting improvements. Concerns identified during factory audits are often industry-wide and cannot be resolved by individual retailers. In order to address this, we remain active members of the ETI and are involved in working groups such as the China Caucus group and the Southern India working group (see below).

Supplier Development Programme (SDP)

We launched the SDP in 2013 to move beyond standard auditing towards understanding root causes and implementing management systems. SDP engages key suppliers and factories in developing systems in four areas:

1 human resources management
2 health and safety
3 environmental awareness
4 internal monitoring.

The suppliers are identified jointly with the RS teams and commercial colleagues. Currently five suppliers in India and three in China are taking part in the programme. Additionally, seven suppliers have already completed this programme.

Project Updates

Over the last year, in addition to working with our supply base on assessments, improvements and the SDP, we have been actively involved in the following initiatives:

1. ETI Southern India Programme
2. Bangladesh Accord
3. Indian CSR Law
4. Brand Ethics Working Group (BEWG) – India
5. Factory Environmental awareness

1 ETI Southern India Programme

Over the last few years, reports by NGOs have brought to light concerns about labour practices in Tamil Nadu's garment industry. Mothercare has been a member of the ETI's programme to address these concerns since 2012. We support the need for our combined efforts to understand and improve the recruitment and employment practices in Tamil Nadu.

In addition to working with our direct suppliers, this year our RS team in India has been able to include spinning mills owned by our suppliers in the scope of our assessments and improvement work. Although we do not have any direct commercial relationships with these mills, suppliers in general have been co-operative with these efforts and we are pleased to see improvements from this work.

2 Bangladesh Accord

Although we were not directly affected by the Rana Plaza tragedy in April 2013, the implications of the tragedy were felt by all companies using Bangladesh as a supply base. We continue to make efforts to ensure that factories in our supply chain meet building, fire and electrical safety standards, as well as other labour standards as part of our Code of Practice. We signed the Accord on Building and Fire Safety in Bangladesh and are committed to ensuring that standards are constantly monitored and improved.

All of our suppliers' factories in Bangladesh have now been inspected by independent experts for structural, fire and electrical safety. Our RS officer based in Dhaka is monitoring progress to address any improvements recommended from these inspections.

3 Indian CSR Law

In accordance with the Indian Companies Act 2013, Mothercare India will donate annually at least 2% of its previous three years' average net profits on relevant Indian CSR activities.

For the first year Mothercare has funded a project as part of the not-for-profit organisation NASSCOM Foundation's National Digital Literacy Mission (NDLM) programme. The National Digital Literacy Mission (NDLM) aims to create at least one digitally literate and empowered person per household in India. The intention is to bridge the digital divide and empower its beneficiaries to adopt internet technology for their day to day living.

Mothercare has funded a centre in Bangalore which aims to serve women and young people in the surrounding communities.

4 Brand Ethics Working Group (BEWG) – India

Mothercare plays an active role in the BEWG, which has approximately 40 international brands as members, and we recently handed over joint co-ordination of the group after five years. The Group facilitates information and resource sharing amongst members to work on joint projects and designs effective responses to common industry concerns.

5 Factory Environmental Awareness

Environmental sustainability is an integral aspect of our Code of Practice and is a module of our Supplier Development Programme.

In addition, this year the RS China team has been liaising with local environmental NGOs to identify opportunities to grow environmental sustainability awareness of our suppliers. In April 2014, Mothercare suppliers attended a seminar held by HKPC (the Hong Kong Productivity Council) about cleaner production. The China team is also exploring opportunities with the China South Grid on a pilot with two factories to improve energy efficiency.

Corporate responsibility
continued

2 Environment

FY2015 marks the end of a two year programme of environmental target reductions, which we set in FY2013. These targets focused on our biggest environmental impacts – greenhouse gas emissions from buildings and transport, waste and packaging. The table below outlines our environmental performance on a range of key performance indicators. The fields shaded blue highlight the performance for which we had set targets, and these are discussed in greater detail in the notes underneath.

Key Performance Indicators	FY2012/13 Baseline	FY2013/14 Performance	FY2014/15 Performance	FY2015 vs FY2013 (+/-)%	Target (green as achieved)
Building energy use (m kWh)	55.2	48.7	43.74	-21%	–
Transport fuel used (m litres)	1.3	1.1	0.92	-27%	–
Transport mileage (m miles)	3.5	3.0	2.57	-26%	–
CO_2e emissions (tonnes)*	25,000	21,300	20,847	-17%	–
CO_2e emissions (per '000 sq. ft.)	13.8	12.2	12.57	-9%	–
Of which:					
Buildings	21,700	18,500	18,453	-15%	10%
Transport	3,300	2,800	2,394	-27%	10%
Packaging used (tonnes, UK only)	8,500	7,200	6,177	-27%	–
Packaging per £100 (kg, UK only)	17.1	15.7	13.48	-21%	2%
Recycled waste (tonnes, UK only)	2,900	3,900	4,851	67%	–
Recycled waste (%)	92%	95%	95%	3% points	90%

* Greenhouse Gas emissions methodology: we have reported on all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within the activities for which we have operational control. There are no material exclusions from this data. The data has been prepared in accordance with the UK Government's Environmental Reporting Guidance (2013 version).

Building emissions – target to reduce emission by 10% against FY2013 – achieved

We continued to reduce our electricity and gas usage at our stores, UK office and at our National Distribution Centre (NDC) in FY2015, achieving a 15% reduction compared with our FY2013 baseline. This reduction was achieved in part due to planned store closures and milder winter temperatures. This year we have included a small number of emissions from our overseas sourcing offices and from our customer delivery distribution centre, where we assumed operational control at the start of the year.

Transport emissions – target to reduce emission by 10% against FY2013 – achieved

During FY2015 we reduced the number of road miles distributing products by a further 14% over the previous year, linked to our planned store closure programme. As a result we have exceeded our 10% reduction target, achieving a 27% reduction compared with FY2013.

Packaging handled – target to reduce kg per £100 of sales by 2% against FY2013 – achieved

Packaging per £100 of goods sold in the UK has fallen by 21% compared with FY2013. While lower sales volumes explain part of the reduction, we also continued efficiency projects to reduce the amount of packaging around our products.

Waste recycling – target to maintain 90% of waste recycled – achieved

During FY2015 we increased the amount of waste we recycled across our stores, as a result of improving their recycling facilities. This year we also included waste volumes from our customer delivery distribution centre. Our NDC continues to be zero waste to landfill, recycling all of its discarded waste. Mothercare recycles 95% of its waste, continuing to exceed our target of maintaining a 90% recycling rate.

Targets FY2016

In FY2016 we will aim to set further long-term targets for our future environmental performance. The targets for FY2016 are as follows:

- Reduce CO_2 emissions through buildings by 5%.
- Reduce CO_2 emissions through transport by 5%.
- Reduce packaging per £100 (kg, UK only) by 1%.

3 People

We directly employ 5,835 people in the UK and 180 in Asia, not including those colleagues who work for our global network of franchisees.

We have a diverse workforce with a third of our managing board and 51% of our senior management roles (not including executive management) being held by females. Throughout the rest of the business 91% of our UK retail colleagues and 71% of our UK office colleagues are female.

We continue to measure employee engagement via our MyVoice survey which ran for the third time in December 2014. The survey gives colleagues the opportunity to comment honestly and confidentially about their experience of working for Mothercare. There was a further incremental improvement in the colleague engagement score this year.

We have continued to communicate with all colleagues in a variety of ways and have been regularly sharing video messages from Mark Newton-Jones with colleagues across the globe. This is facilitated in our UK stores via the introduction of iPads. In the UK we regularly consult with colleagues via representatives from UK stores, the retail support centre in Watford and our overseas offices. These are known as our 'Sounding Boards'.

Over the past 12 months, we have invested in management development and core skill workshops for our offices. We have continued to deliver regular training to retail colleagues in particular in car seats and bra fitting, including the introduction of internal trainers across our UK retail estate. We have also updated our retail induction programme for new colleagues and are in the process of implementing a learning management system and will be launching e-learning as a global initiative.

4 Communities

Charitable giving

During the year the Mothercare Group Foundation made charitable donations to four charities totalling £89,000. Details of the donations are set out on page 57.

Community

We believe that parenting and raising children is an essential foundation for the society we live in and that healthy babies, parents and families benefit us all. We are committed to helping parents through the work we do providing education and information to parents in the community. For example, we support National Breastfeeding Week to help mums-to-be and new mums get the correct and most up to date advice about feeding their babies. Midwives and Health Visitors frequently attend our stores and run advice points to speak to mums during the week, offering their help and support.

Providing a place for mums to meet

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

In our newly refurbished Gateshead and Solihull stores we have play areas and cafes, again so mums/parents can meet and relax whilst out shopping with their young children.

Events

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

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

Board of Directors

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Committee Memberships key: **A Audit and Risk Committee R Remuneration Committee N Nomination Committee F Full Board member D Disclosure Committee**

1. Alan Parker CBE
Chairman
R N F D

Appointed: August 2011.
Skills, competencies, experience
A former chief executive of a FTSE100 company with extensive experience in the hospitality sector, Alan provides substantial commercial, leadership and strategic experience. Executive Chairman of Mothercare plc from 17 November 2011 to 30 April 2012. Formerly Chief Executive of Whitbread plc and Managing Director EMEA of Holiday Inn, and non-executive independent director of Burger King Worldwide Inc and subsequently Restaurant Brands International. He has also served on the boards of Jumeirah Group LLC and VisitBritain.

Other Directorships
Non-executive chairman of Darty plc. In November 2014 Alan was appointed Chairman of Park Resorts and in December 2014 became a non-executive director of US based Restaurant Brands International. He is also President of the British Hospitality Association and a board member/investor in Winnow Solutions.

2. Angela Brav
Non-executive Director
R N F

Appointed: January 2013.
Skills, competencies, experience
Angela's extensive multinational experience provides the Company with international and franchise expertise. Angela has held various senior roles within the InterContinental Hotels Group since 1991. Angela has also worked at IHG's headquarters in Brussels, Belgium and Guadalajara, Mexico.

Other Directorships
Chief Executive Europe of InterContinental Hotels Group plc (IHG).

3. Lee Ginsberg
Non-executive Director and Audit and Risk Committee Chair
A N F D

Appointed: July 2012.
Skills, competencies, experience
Lee has substantial financial experience working in listed companies, and in depth knowledge of international franchise models and systems. Previously Chief Financial Officer of Domino's Pizza Group plc (until 2 April 2014) and prior to that Group Finance Director at Health Club Holdings Limited (formerly Holmes Place plc) where he also served as Deputy Chief Executive. Lee is a Chartered Accountant having qualified with PricewaterhouseCoopers.

Other Directorships
Non-executive director and chair of the audit committee at Trinity Mirror plc; Deputy Chairman, Senior Independent non-executive director at Patisserie Holdings plc and non-executive Chairman of Oriole Restaurants Limited.

4. Amanda Mackenzie OBE
Non-executive Director
A N F

Appointed: January 2011.
Skills, competencies, experience
Amanda has significant marketing and communications experience. She is a member of Aviva's Executive Committee and Executive sponsor for diversity, a member of Lord Davies' steering group to increase the number of women on boards; a board member of the National Youth Orchestra and a past President of the Marketing Society. Amanda was awarded an OBE in 2014 for services to marketing. Formerly Chief Marketing and Communications Officer of Aviva plc.

Other Directorships
National Youth Orchestra, The Thirty Club of London.

5. Mark Newton-Jones
Chief Executive Officer
F D

See opposite page for biography.

6. Richard Rivers
Senior Independent Non-executive Director
R N F D

Appointed: July 2008.
Skills, competencies, experience
Formerly Chief of Staff and Head of Corporate Strategy at Unilever. Richard provides strategic and corporate knowledge to the Company as well as Remuneration Committee expertise.

Other Directorships
A Non-executive member of the Board of Channel 4 Television Corporation and a director of Lumene Oy and Articos AB, and a member of the Advisory Board of WPP.

7. Richard Smothers
Chief Financial Officer
F D

See opposite page for biography.

8. Imelda Walsh
Non-executive director and Remuneration Committee Chair
R N F

Appointed: June 2013.
Skills, competencies, experience
Imelda has extensive experience and knowledge of remuneration and HR policies. Formerly Group HR Director of J Sainsbury plc, non-executive director and chair of the remuneration committee at Sainsbury's Bank plc, with roles at Barclays plc, Coca Cola & Schweppes Beverages Limited and Diageo plc.

Other Directorships
Non-executive director and chair of the remuneration committee of William Hill plc, Mitchells & Butlers plc and First Group plc.

9. Nick Wharton
Non-executive director
A N F

Appointed: November 2013.
Skills, competencies, experience
Nick has extensive experience within the retail sector and the benefit of being a plc CEO and CFO, supporting the financial and strategic direction of the Company. Formerly Chief Executive Officer of Dunelm Group plc , Chief Financial Officer of Halfords Group plc, and finance and international positions at The Boots Company plc and Cadbury Schweppes plc.

Other Directorships
Interim Chief Financial Officer of SuperGroup plc

Executive committee


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1. Mark Newton-Jones
Chief Executive Officer

Appointed: July 2014.
Skills, competencies, experience
Mark has almost 30 years of experience working with, and developing some of, the industry's leading retail brands in both stores and online. Before joining the Company as interim CEO in March 2014, Mark was previously Group CEO of Shop Direct, owner of the Littlewoods and Very brands. Under his stewardship, Shop Direct embarked on one of the largest retail integrations in Europe, merging and integrating Littlewoods and Great Universal Stores and a significant transformation journey from a failing large scale bricks-and-mortar operation to one of the UK's leading multi-channel retailers with seamlessly integrated mobile, online and digital platforms. Prior to Shop Direct, Mark held various director roles at Next plc, including as the director of the Next Directory, taking it online in 1998, becoming one of the UK's first online retailers. Mark began his career in his family run retail and wholesale business working alongside his father and grandfather.

Other Directorships
Non-executive Director at Boohoo plc and Chairman of Graduate Fashion Week.

2. Richard Smothers
Chief Financial Officer

Appointed: March 2015.
Skills, competencies, experience
Extensive financial experience of working within listed companies; Richard's work overseas will provide relevant experience in the Company's international operations and growth ambitions. Strong financial, accounting, strategic and corporate finance experience and skills. Previous appointments include Director of Group Finance at Rexam plc. Before joining Rexam, Richard spent 14 years in a number of senior finance roles at Tesco plc (including Finance Director Asia, CFO Tesco Lotus (Thailand) and Finance Director for UK operations) and prior to that worked at Cargill in both financial and operational roles. Richard was also a director and treasurer of the British Chamber of Commerce in Thailand.

Other Directorships
Member of the Finance Committee, University College London since October 2014.

3. Tim Ashby
Group General Counsel
and Company Secretary

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

4. Karl Doyle
Group Product Director

Appointed: June 2014.
Formerly Executive Group Product Director at Shop Direct. Prior to that, Karl was the Kidswear Director at Marks & Spencer for eight years; he has also spent over 10 years at Next as Head of Merchandising.

5. Sarah Purkis
Group HR Director

Appointed: March 2015.
Formerly Chief People Officer at World Duty Free Group. Prior to that, Sarah held a number of senior HR positions in companies including PRS Alliance Limited, Britvic plc and Virgin Retail.

6. Jerry Cull
Managing Director – International

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

7. Matt Stringer
Chief Operating Officer

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

8. Gary Kibble
Group Brand and Marketing Director

Appointed: March 2015.
Formerly Director of Business Transformation and Group Brand Director at Shop Direct.

Corporate governance

I am very pleased that the Company maintained its high standards of corporate governance throughout a particularly demanding and busy year of corporate activity.

Alan Parker CBE
Chairman

Dear shareholder

As outlined elsewhere in this report, FY2015 was a busy year for the Mothercare group and throughout this activity it was critical that the Company maintained a high standard of corporate governance not only in dealing with the takeover approach and the rights issue but also in all of its other activities. Operating with a high standard of corporate governance will assist the Company to identify and deliver its strategic objectives and set standards for its own operating performance and for its franchise partners and suppliers globally.

Takeover approach

The Company received a takeover approach in May which was rejected by the Board. The bidder then announced its intentions publicly on 2 July 2014 and the board worked closely with its professional advisers in order to meet its obligations under the Takeover Code. The bid was withdrawn on 25 July 2014. In both instances, following receipt of the takeover approach the Board authorised its defence committee to assume responsibility in orchestrating the response and to take the necessary corporate and professional advice before making any decisions. The process worked well and the Board is confident that it met all of its obligations throughout the period of the approach.

Rights issue

As noted elsewhere in this report, the Company raised proceeds of £100 million by way of a rights issue that completed at the end of October 2014. The Board took a pivotal role in working with the Company and its advisers in ensuring that there was a robust and thorough process in the preparation of the prospectus and other documents required before announcing the rights issue, and subsequently in holding the general meeting to approve the Board's recommendation. The prospectus, for which the directors were responsible, contained a significant level of financial and corporate information, and outlined the strategy for the use of funds raised. The Board was pleased with the strong support received from shareholders throughout the process and in the passing of the necessary resolutions to approve the rights issue (with a vote in favour of 99.9%)

General

The Company considers that, with one exception, it has complied throughout the 52-week period ended on 28 March 2015 with the relevant provisions set out in the UK Corporate Governance Code published by the Financial Reporting Council (FRC) in 2012, having applied the main and supporting principles set out in Sections A to E of the Code. The exception is that the Board did not conduct an externally facilitated board evaluation during the year, the previous such evaluation having taken place in March 2012. The Board believes that it would be more valuable to review its performance thoroughly in a way that would properly take account of its role in overseeing the significant events during the year, and there was not sufficient time to complete this in the final quarter of the year following the rights issue. The Board has committed to an externally facilitated Board evaluation in FY2016.

The Board

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

Mothercare plc Main Board (as at 28 March 2015):

Chairman/Non-executive
Alan Parker CBE (Chairman)
Angela Brav
Lee Ginsberg
Amanda Mackenzie OBE
Richard Rivers (SID)
Imelda Walsh
Nick Wharton
Executive
Mark Newton-Jones
Richard Smothers

Board changes

There were several changes to the Board during the year.

As noted in last year's Report, the Board appointed Mark Newton-Jones as the Group's Interim Chief Executive with effect from 17 March 2014. Following a thorough executive search process, the Board was delighted to confirm Mark's appointment as the permanent CEO and Executive Director on 17 July 2014. Mark brings with him a wealth of talent and almost 30 years of retail experience. Mark's biographical details are set out on page 39.

Matt Smith resigned as CFO and Executive Director, leaving the business on 20 January 2015. The Board conducted a full search for his replacement and appointed Richard Smothers as CFO and Executive Director with effect from 23 March 2015. Richard moved to the Company from Rexam plc and also brings a wealth of talent and experience to the Board and the Executive Committee.

The Board and its directors

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

The Board has approved formally the roles and responsibilities of the Chairman and Chief Executive, with the Chairman responsible for matters such as the leadership and management of the Board (and for dealing with any takeover approach), and the Chief Executive responsible for the leadership of the business and managing it within the authorities delegated by the Board.

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

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

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

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

In accordance with the UK Corporate Governance Code the Board has resolved that all directors should offer themselves for re-election each year, and this policy has been applied at the Company's annual general meeting since 2013. The Board is of the opinion that all directors took an active and time-consuming role during the year in providing oversight of the

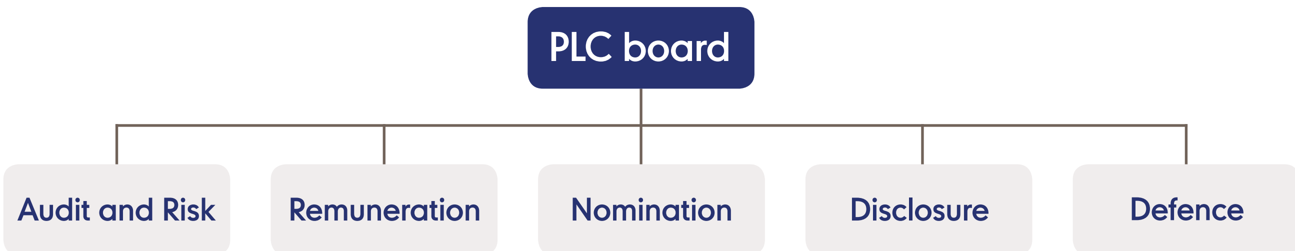
Key activities of the Board

Regular agenda items:	Key agenda items also considered in the year included:
Group strategy	UK and International strategy days
Financing, going concern and liquidity	Leadership and succession planning
Reports from Board committees	Capital raising and rights issue
Business performance and financial results	Bid approach and the Takeover Code
Annual budget and financial statements	Executive director appointments
Consideration of acquisitions and disposals	Bank facilities and funding
Risk management and review	
Operational oversight	

Company, particularly at the time when it did not have a permanent Chief Executive appointed. In addition to the corporate activities during the year that have already been referenced, other matters such as the process to appoint a permanent Chief Executive and a new CFO required a significant commitment from each of the directors. During the year, Richard Rivers in his capacity as the senior independent director evaluated the performance review of the Chairman, having taken the opinions of the other directors before doing so. As Richard Rivers has served more than six years as a non-executive director, his reappointment was subject to a particularly rigorous review and (as noted by the Chairman in his letter to shareholders on page 3 of this report) Richard's contribution during FY2015 was invaluable. The Board is of the opinion that its directors have continued to give effective counsel and commitment to the Company and accordingly should be reappointed by shareholders at the AGM.

Governance and Committees

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



The Board is assisted by committees. There are four committees of the Board that meet and report on a regular basis: Audit and Risk, Disclosure, Nomination and Remuneration. In addition, during the year under review, the Defence Committee advised the Board on the takeover approach over the three month period from May to July 2014. A record of the meetings held during the year of the Board and its principal committees and the attendance by individual directors is set out at page 46.

A

Audit and Risk Committee

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

N

Nominations Committee

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

R

Remuneration Committee

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

Defence Committee

- Committee members: Alan Parker (Chair), Richard Rivers, Lee Ginsberg, Mark Newton-Jones, Richard Smothers
- Key roles and responsibllities: advises the Board in a bid situation, appoints professional advisers to support the Committee and the board, maintains and reviews the defence process of the Company

The Board has established a Disclosure Committee D that is responsible for the establishment and maintenance of disclosure controls and procedures in the Company (and their evaluation), for the appropriateness of the disclosures made (after due consideration of the obligations of the Company under the Listing Rules and the Disclosure and Transparency Rules) and for compliance with the Group's share trading rules. It reports to the Board through the Chief Executive (or through the Chairman in the absence of a CEO). The Disclosure Committee comprises the Chairman, Chief Executive, Senior Independent Director, Chair of Audit and Risk, CFO and Group General Counsel/ Company Secretary.

Each of the committees has clear terms of reference and reports to the Board on its area of responsibility.

Details of the terms of reference of the Board's committees are set out in the corporate governance section of the Company's website at www.mothercareplc.com.

In addition, the Company's Executive Committee reports to the Board through the Chief Executive.

Corporate governance
continued

Executive Committee

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

The Board has delegated day-to-day and business management control of the Group to the Executive Committee. As at 28 March 2015 the Executive Committee consisted of the Chief Executive, Chief Financial Officer, Managing Director International, the Chief Operating Officer, the Global Product Director, the Group Brand and Marketing Director, the Group HR Director and the Group General Counsel/Company Secretary.

Board effectiveness and balance

In 2012, the Chairman instigated a detailed externally facilitated evaluation of the board (conducted by Wickland Westcott), and of its effectiveness and operation. This evaluation identified some recommendations to improve further the overall effectiveness of the Board, and the Board has implemented these recommendations.

For the reasons outlined earlier in this report on page 40, the Board did not conduct an externally facilitated Board evaluation in FY2015, but is committed to do so next year.

During the year the Chairman asked the Group General Counsel/Company Secretary to conduct the annual board evaluation process on behalf of the Board. The results of this evaluation indicated that the Board believes that it operated effectively during a challenging year of corporate activity, was well managed, and that all directors made a considerable contribution throughout the year. In the year ahead, the Board intends to support the CEO in the implementation of the agreed strategy and to provide guidance on risk planning and risk management.

The Board believes that it has an appropriate range of breadth and expertise to manage the Group's activities. As at 28 March 2015, the Board had six non-executive directors of which three are women. Details of the experience and background of each director is set out on page 38.

Diversity

The importance of improving the diversity balance (including gender) on boards of UK listed companies is recognised. At the date of this report, the main Board (including the executive directors) comprises three women and five men, and the Executive Committee (excluding the executive directors) has one woman and five men. The Company has a senior management team that reflects gender diversity, with 51% of the senior management positions (the two grades below Executive Committee) being held by women as at 28 March 2015 (2014: 53%). The Company believes it is well positioned to support gender diversity at all senior levels.

Going concern

The directors have reviewed the going concern principle in the light of the guidance provided by the FRC. The Group's business activities and the factors likely to affect its future development are set out in the business review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the financial review on pages 26 to 33. In addition, note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its hedging arrangements and its exposure to credit and liquidity risks.

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

During the year, the Group received £93.7 million of funds (net of expenses) from the rights issue and repaid the term loan and revolving credit facility in full. Under the multi-currency term and revolving facilities agreement

Employee gender diversity

	Male	%	Female	%	Total
Directors of the Company (including the Chairman and Executive Directors)	6	67	3	33	9
Executive Committee (excluding executive directors)	5	83	1	17	6
Senior management positions	21	49	22	51	43
Total Senior Managers other than Directors of the Company	**26**	**53**	**23**	**47**	**49**
Other retail support centre employees	**159**	**26**	**451**	**74**	**610**
Total RSC Employees of the Group	**185**	**28**	**474**	**72**	**659**
Total Retail Employees of the Group	**437**	**9**	**4,567**	**91**	**5,004**
Grand Total employees of the Group (RSC & Retail)	**622**	**11**	**5,041**	**89**	**5,663**

referred to above, which was amended during the year, Barclays Bank PLC and HSBC Bank PLC provided the Group with a credit facility being increased from £90 million to £100 million (and including a provision to provide further headroom on the financial covenants), available to be utilised until 10 October 2014; and again on 23 September 2014, such that following completion of the rights issue and the receipt of proceeds (which occurred on 30 October 2014), the term loan would be repaid in full and the credit facility would remain at £50 million. Further, the term of the amended agreement was extended to May 2018. The Group has therefore significantly improved its overall shareholder funds and its net cash position. This will enable the Group to deliver its new strategic plan which will return the UK business to profitability and provide a platform to accelerate international growth. At the end of the year the Group had a cash balance of £31.5 million and was debt free. The covenants in the facilities are reviewed monthly and tested as part of the forecast process and are based around gearing, fixed charge cover and guarantor cover.

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

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

Risk management

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

The principal risks and uncertainties facing the Company are set out on pages 14 to 19.

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

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

Sourcing/overseas operations

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

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

Bribery Act 2010

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

Accordingly, the Group introduced additional measures into the business to reinforce its zero tolerance approach to bribery and corruption. The Group Global Code of Conduct (with specific reference to the Bribery Act) was issued to all non-store level employees both in the UK and overseas in 2011 and annually since then. The Group's position on bribery and corruption has been explained to its suppliers, franchisees and joint venture partners. The Group maintains a global 'whistleblower' hotline accessible in many languages.

Corporate governance
continued

Shareholder relations

The Company maintains regular dialogue with institutional shareholders following its presentation of the financial performance of the business to the investing communities. Opportunities for dialogue take place at least four times a year following the announcement of the half and full year results (in November and May respectively) and trading statements at the AGM (Quarter 1 results) and post-Christmas (Quarter 3 results). During such meetings the Company is able to put forward its objectives for the business and discuss performance against those objectives and develop an understanding of the views of major shareholders. The outcome of meetings with major shareholders is reported by the Chief Executive at Board meetings on a periodic basis. In addition, leading corporate shareholders are able to access the Company's Director of Investor Relations.

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

Directors' interests and indemnity arrangements

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

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

Directors' conflicts of interest

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

Director attendance

Director attendance statistics at meetings for the 52-week period ended 28 March 2015:

		Committee		
	Board	Audit & Risk	Nomination	Remuneration
Maximum number of meetings	**12**	**4**	**2**	**5**
Director:				
Alan Parker	12/12	N/A	2	5
Angela Brav	11/12	N/A	2	4
Lee Ginsberg	11/12	4	2	N/A
Amanda Mackenzie	11/12	4	2	N/A
Richard Rivers	12/12	N/A	2	5
Imelda Walsh	10/12	N/A	2	5
Nick Wharton	12/12	3	2	N/A
Mark Newton-Jones*	6/6	N/A	0	N/A
Matt Smith*	9/9	N/A	0	N/A
Richard Smothers*	0/0	N/A	N/A	N/A

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

Note: The table sets out for each director both the number of meetings attended and the maximum number of meetings that could have been attended by those who were not appointed for the full year.

Notes:
- Mark Newton-Jones attended meetings of the Audit and Risk Committee and the Remuneration Committee upon the invitation of the respective chairs of those committees.
- Alan Parker attended meetings of the Audit and Risk Committee upon the invitation of the Chair of that committee.
- In addition to the board meetings above there were (a) two ad hoc Board meetings which approved the interim and full year report and accounts respectively, (b) two ad hoc Board meetings in connection with the takeover approach, and (c) two ad hoc Board meetings in connection with the rights issue, each of which were constituted by the Board from those members available at that time having considered the views of the whole Board beforehand.
- Before joining the Company, Richard Smothers attended the Board meeting and Audit & Risk Committee meeting held in March by invitation of the Chairman and the Chair of Audit & Risk respectively.

Audit and Risk Committee

During the year the Audit and Risk Committee had a material role in providing oversight of the financial position of the Company before, during and after the rights issue, and providing advice to the Board. At the same time, the Committee maintained its focus on the risks affecting the Company to ensure that they reflected the changes to the business.

Lee Ginsberg
Chairman of the
Audit and Risk Committee

Dear Shareholder

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

This Committee is committed to monitoring the integrity of the Group's reporting process and financial management, as well as maintaining sound systems of risk management and internal control. There were material changes to the Group and its financial position during FY2015 that required regular review, and at the same time the Committee had to ensure the proper management of risk throughout the process.

The Committee scrutinises the interim and full year financial statements before proposing them to the Board for approval, and reviews in detail any accounting judgements that are made by the Company. The Committee also scrutinised the prospectus that supported the rights issue both as regards any financial information and the risk factors that applied to the business.

The Committee provides oversight of the risks affecting the business, and the Company's own risk committee provides reports on a quarterly basis. In turn, the Committee reports to the Board on matters of existing and emerging risk affecting the Group.

Composition of the Committee

The Committee currently comprises Lee Ginsberg as Chairman, and Amanda Mackenzie and Nick Wharton as the non-executive directors. The Group General Counsel/Company Secretary acts as secretary to the Committee. Both Lee Ginsberg and Nick Wharton are chartered accountants with considerable financial and commercial experience with listed companies. Biographical details of the directors are set out on page 38 of this report.

The Committee meets regularly during the year in line with the financial reporting timetable, and met four times in the period covered by this report. Each member's attendance at these meetings is set out on page 46 of the corporate governance report.

No specific remuneration of the non-executive directors is ascribed to membership of the Committee other than a supplement of £7,500 per annum paid to Lee Ginsberg for the period in respect of which he acts as Chair of the Committee.

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

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

Audit and Risk Committee
continued

Activities of the Committee

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

Additionally, as part of its risk remit, the Committee reviews its financial and contractual arrangement with franchise partners around the world, including the process and standard franchise agreements used by the Company. Also, the Committee recognises that the size of the International business (about two-thirds of worldwide retail sales) means that the Group is more exposed to geopolitical events and the risk of exchange rate fluctuations being ever more material to the profitability of the Group. This became a particular issue in FY2015 with the

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

devaluation of the Russian rouble, and the decision of the group to initiate currency hedging programmes. The planned increase in size of the International business and continued volatility in foreign exchange rates means that the monitoring of foreign exchange risk (and mitigating that risk through treasury policy) will become more important each year and the Committee will provide specific oversight of this aspect of risk management.

As referenced elsewhere in this report, the Committee played a particular role in the information contained in the Prospectus for the rights issue approved by shareholders in October 2014.

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

Fair, balanced and understandable
The Committee has reviewed the contents of this year's Annual Report and Accounts and advised the Board that, in its view, taken as a whole, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

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

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

As noted elsewhere in this report, the financial position of the Company was strengthened considerably during the year following the approval of shareholders to support the rights issue. The rights issue proceeds were received at the end of October 2014.

Pre-rights issue (April – October 2014)

Going concern

During the first half of the year, the Company amended the terms of its bank facilities to put the business on a more stable footing and at the same time providing support in the period up to the rights issue. During this period, the Committee reviewed regularly and considered carefully the liquidity and financing arrangements of the Group as part of the going concern review, and engaged in detailed reviews with its external auditors. This process included giving due consideration to management reports that detail the assumptions and estimates underlying the budgets and forecasts that underpin the review, the quality and reliability of management forecasts, a review of compliance with key financial covenants and the impact of sensitivities on the budget and forecasts. These matters were also discussed with the Chief Financial Officer. The Committee also reviewed the reports from the external auditor in its assessment of the going concern assumption.

During the rights issue

During the rights issue process, the Company prepared a prospectus to shareholders that outlined the purpose of the rights issue, together with relevant financial information and risk factors. The Committee scrutinised the Prospectus (including but not limited to the financial information and risks), reviewed the auditor's working capital report and reported to the Board.

Post rights issue (October 2014 – March 2015)
Following the receipt of the £100 million gross proceeds of the rights issue on 30 October 2014, and the immediate repayment of the £40 million term loan to the Banks, the financial covenant of the Company was strengthened materially.

In the period from the announcement of the Interim results through to the end of the financial year, the Committee focused on the governance and process relating to the use of the rights issue proceeds. In addition to the repayment of outstanding debt, these proceeds had been raised specifically for investment in the business, in particular improvements in its business systems and infrastructure, and in reducing the size of the store estate and refurbishing those stores remaining in the business. However, it remained (and remains) the case that the trading performance of the Company is an important part of the strategic plan and the Committee has continued to give due consideration to management reports and trading performance, the quality and reliability of management forecasts and the impact of sensitivities on the budget and forecasts. These matters were also discussed with the Chief Financial Officer. The Committee also reviewed the reports from the external auditor in its assessment of the going concern assumption.

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

Foreign currency
During FY2015 there were significant movements in the value of GBP sterling against other currencies around the world and this impacted the Group's profitability. The Group has had a currency hedging policy against purchases denominated in US dollars and Euro for many years as part of its sourcing operation, and in FY2015 it implemented a policy to hedge against royalty receipts from franchise partners in certain territories. The Company's foreign exchange policy means that it hedges in part against the currencies of its core franchise businesses around the world. This does not eliminate

the risk of currency movements for the Company but it provides the Company with a level of certainty of its cash flow. The Committee received reports from the Company which considered the appropriateness of the Company's hedging policy.

Property closure provisions
For a number of years the Company has pursued a policy of reducing the number of stores operating in the UK and this policy is continuing with further store closures announced during the period. This has involved an active programme of managing the expiry dates of lease agreements and engaging and negotiating with landlords the surrender or assignment of other leases. Through this process, the number of UK stores operated by the Group at 28 March 2015 was 189, a reduction from 255 at the same point two years earlier. The Committee reviewed reports from the Company that assessed the judgements around future costs, including dilapidations and closure costs, and the timing of potential future landlord settlements on those remaining properties earmarked for closure. The Committee also reviewed the reports from the external auditor which considered the appropriateness of the retained provision.

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

Supplier funding income
The Company receives income from its suppliers, mainly in the form of early settlement discounts, volume based rebates, and promotional contributions. Judgement is involved in ensuring this income is recognised in the accounting period to which it relates. The Committee has considered the assessment made by the Company over the accounting for supplier funding arrangements and has been actively involved in reviewing the Group's controls in place in this area. The Committee has reviewed in detail the Company's paper which set out the nature and value of these arrangements and the timing of recognition in the financial statements, along with the related external Audit findings report. The Committee is satisfied with the Company's conclusion that there is no risk of material misstatement in the current and previous period.

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

Carrying value of joint venture investments and recoverability of receivables from these parties
The Committee reviewed the Group's investments in its joint ventures in India and China (its investment in Ukraine was written down in FY2014 because of the underlying political situation). The Committee reviewed reports from the Company that detailed the underlying assumptions and estimates in the budgets for each investment. Further, the Committee reviewed the work performed by the external auditor in its assessment of the assumptions in the budgets. These matters were discussed specifically with the Chief Financial Officer and the external auditor. The Group sold its investment in the India joint venture on 8 May 2015, which is recorded as a post balance sheet event.

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

Other significant matters considered by the Committee during the year

Other significant matters	How the Committee addressed those matters
Pension liabilities	The triennial valuation of the Group's two pension schemes commenced on 1 April 2014 and, following a negotiation with the pension trustees, it has been agreed that the deficit as at that date was £89.9 million. A new deficit contribution plan has been agreed with the pension trustees (more details are contained elsewhere in this report at note 29).
Tax	The Committee has received an assessment from the Company of judgements made in relation to its tax position and of its ongoing relationship with HM Revenue and Customs, and confirmation that there are no material issues with HM Revenue and Customs.

Policies

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

- External auditor independence – The Committee reviews at least once a year the independence of the external audit firm and the individuals carrying out the audit by receiving assurances from, and assessing, the audit firm against best practice principles. The Committee seeks to balance the benefits of continuity of audit personnel and the need to assure independence through change of audit personnel by agreeing with the audit firm staff rotation policies. The Committee's review of the independence of its external auditors was by enquiry of them, reviewing the report issued by the auditors regarding their independence, and considering the policy on non-audit services provided by them, and it concluded that Deloitte LLP was independent.
- External auditor appointment – Deloitte LLP has acted as the Group's external auditor since 2002. Its performance is reviewed annually by the Committee. As part its review in FY2015, the Committee noted that the Group audit partner was rotated in 2013 and the current audit partner's five year term will end in 2017. The Committee endorsed the judgement reached in FY2013 that a tender of the external audit services at this time would not be in the Group's interests. The Committee is aware of the FRC guidance (and more recently the EU guidance) regarding the frequency at which the audit work should be put out to tender. The Committee has concluded that it does not need to put the external audit work out to tender until the financial year commencing after June 2023, provided that another audit partner is appointed by Deloitte LLP at the end of the current audit partner's term. However, the Committee has the discretion to put the audit out to tender at any time before this date and there are no contractual obligations restricting the Company's choice of external auditors.
- Auditors providing non audit services – A policy in respect of non-audit work by the audit firm is in effect. The general principle is that:
  - the audit firm should not be requested to carry out non-audit services on any activity of the Company where they may in the future be required to give an audit opinion
  - the appointment of the audit firm for any non-audit work must be approved by the Committee (or by the Chair of the Committee in the case of minor matters), and will be approved only if it is regarded as being in the best interests of the Company
  - the Committee will not approve (and the Company will not pay) any non-audit fees to the auditors on a contingent basis (non-audit fees incurred in the year are set out in note 7).
- Internal audit – PwC works closely with the internal audit function of the Company and attends meetings of the Committee by invitation (three times in FY2015).
- The Committee has assisted the Board in the assessment of the adequacy of the resourcing plan for the internal audit function. In respect of the activities of the function, the Committee has received reports upon the work carried out and the results of the investigations including management responses, their adequacy and timeliness.

Risk management

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

The administration of CityLink on Christmas Day 2014 demonstrates that the Company, like other retail businesses, continues to face unexpected but material risks on a daily basis. The Company seeks to manage risk in its operations and it has its own business continuity plans in other areas of the business. It has also taken external advice on cyber risks that may affect the business and conducted testing of third party hosted systems that hold customer data.

Internal audit

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

Effectiveness

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

Audit and Risk Committee

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

Audit and Risk Committee
continued

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

The Committee reviewed the independence of its external auditors during the year (by enquiry of them, and reviewing the report issued by the auditors regarding their independence, and the non-audit services provided by the auditors and the safeguards relating thereto) and considered that Deloitte LLP was independent. The Company did not pay any non-audit fees to the auditors on a contingent basis (non-audit fees incurred in the year are set in note 7). The Committee noted that the amount of non-audit fees paid to the auditors exceeded the audit fee for the period. This was primarily due to the work performed by the auditors in their role as reporting accountants on the Company's rights issue. The Committee considered this engagement carefully at the time, and noted before approving the appointment that the use of auditors as reporting accountants in such a situation is a role typically performed by auditors and concluded that it would be in the best interests of the Company.

Having considered these factors, the Committee unanimously recommended to the Board that a resolution for the re-appointment of Deloitte LLP as the Company's external auditor to be proposed to shareholders at the 2015 AGM.

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

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

Lee Ginsberg
Chair, Audit and Risk Committee

Nomination Committee

Dear Shareholder

During FY2015 we appointed both Mark Newton-Jones and Richard Smothers to the Board. I noted in my report last year that the Committee was engaged in a detailed process to appoint a new CEO, and this concluded successfully with the appointment of Mark Newton-Jones on 17 July 2014.

The Committee was required to conduct a search for a new CFO following the resignation of Matt Smith who left the Company on 20 January 2015. I am pleased that Richard Smothers joined the Company and the Board on 23 March 2015 as the new CFO. The position of CFO is critical to the Company and the process for the recruitment of this role was thorough. I am pleased to say that the Committee was able to consider a high calibre of candidates for the position.

The recent appointment of both CEO and CFO has been complemented by the arrival of four new members of the Executive Committee during the year. The Committee will review both the composition of the Board and the management succession plan of the Executive Committee during the coming year.

Board composition

The Board's policy is to have a broad range of skills, background and experience, and the biographies of the Board members are set out on page 38 of this report. The Mothercare Board contains six non-executive directors and two executive directors. The wide range of experience, diversity and background proved valuable during a busy FY2015 with the increased level of Board involvement and time required throughout the year.

Governance

For the reasons set out in the Corporate Governance Report, the Board did not conduct an externally facilitated board evaluation during the year, but relied on an internal process. There will be an externally facilitated board evaluation during FY2016, and this will address board composition, size, and skills as part of the process. I will report on the outcome of this evaluation next year.

The Board evaluation that we conducted concluded that the Board worked well and effectively during the year, particularly in the context of the takeover approach and rights issue (and related activities).

Finally, I would like to thank all my fellow directors for their time and support during a very busy year.

Composition of the Committee

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

During the year, when considering the appointments of the CEO and CFO, the Committee worked with The Inzito Partnership and JCA Group respectively, both of whom are independent search companies with no other connections to the Company specialising in executive director recruitment.

Activities of the Committee

During the year, the Committee considered the appointment of two new executive directors and in each case made a recommendation to the Board.

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

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

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

Alan Parker CBE
Chairman

Directors' report

The directors present their report on the affairs of the Group, together with the financial statements and auditors' report for the 52-week period ended 28 March 2015. The corporate governance statement set out on pages 40 to 46 forms part of this report. The Chairman's statement at page 3 gives further information on the work of the Board during the period.

The principal activity of the Group is to operate as a specialist multi-channel retailer, franchisor and wholesaler of products for mothers-to-be, babies and children under the Mothercare and Early Learning Centre (ELC) brands. The group operates in the UK principally through its stores and direct business, and globally in a further 60 countries through its extensive franchise network.

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

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

Business review

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

A review of the business strategy and a commentary on the performance of the group is set out in the Overview and Strategic Report sections of this report on pages 1 to 37. The principal risks and uncertainties facing the business are detailed in the Strategic Report on pages 14 to 19. These disclosures form part of this report.

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

Going concern

The financial position of the Group, its cashflows, liquidity position and borrowing facilities are set out in Financial Review on pages 26 to 33. The Group's going concern position is set out in the corporate governance report on page 44.

Dividend

The directors are not recommending the payment of a final dividend for the year and no interim dividend was paid during the year (FY2014: nil).

Shares

As at 20 May 2015, the Company's issued share capital was 170,662,573 ordinary shares of 50p each all carrying voting rights. The details of the Company's issued share capital as at 28 March 2015 are set out in note 6 to the financial statements. No shares were held in Treasury.

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

Details of the Company's employee share schemes are set out in the remuneration report. The Trustees of the Mothercare employee trusts abstain from voting their shareholdings in the Company.

Substantial shareholdings

In accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority, as at 28 March 2015 the Company has been advised by or is aware of the following interests above 3% in the Company's ordinary share capital:

Holder	Number of shares	Percentage of issued share capital
M&G Investment Management Ltd	22,422,258	13.74
Aberforth Partners	18,921,230	11.10
D C Thomson & Company Limited	17,695,691	10.38
Aberdeen Asset Managers Limited	15,224,830	8.93
Fidelity International Limited	14,558,242	8.54
Capital Research & Management	10,906,000	6.40
UBS Global Asset Management Ltd	8,765,574	5.14
Allianz Global Investors	8,492,367	4.98

During the period from 28 March 2015 to 20 May 2015 the following notifications were received:

Holder	Number of shares	Percentage of issued share capital
M&G Investment Management Ltd	22,143,750	12.99
Allianz	8,443,695	4.95

Acquisition of own shares

The Company was given a general approval at the AGM in July 2014 to purchase up to 10 per cent of its shares in the market. This authority expires after the AGM on 23 July 2015. The authority has not been used during the year.

Significant agreements and change of control

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

Under the multi-currency term and revolving facilities agreement referred to above, which was amended during the year, Barclays Bank PLC and HSBC Bank PLC provide the group with a credit facility to be used for general business purposes. During the year the agreement was amended and restated on two occasions: on 20 May 2014 with the credit facility being increased from £90 million to £100 million (and including a provision to provide further headroom on the financial covenants) available to be utilised until 10 October 2014; and again on 23 September 2014, such that following completion of the rights issue and the receipt of proceeds (which occurred on 30 October 2014), the term loan would be repaid in full and the credit facility would remain at £50 million. Further, the term of the amended agreement was extended to May 2018.

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

Directors

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

Directors' report
continued

The following directors served during the 52-week period ended 28 March 2015:

Name	Appointment
Alan Parker	Chairman and non-executive director; Chairman of the Nomination Committee
Angela Brav	Independent non-executive director
Mark Newton-Jones	Executive director (from 17 July 2014)
Lee Ginsberg	Independent non-executive director and Chairman of the Audit Committee
Amanda Mackenzie	Independent non-executive director
Richard Rivers	Independent non-executive director and Senior Independent Director
Matt Smith	Executive director (until 20 January 2015)
Imelda Walsh	Independent non-executive director and Chair of the Remuneration Committee
Nick Wharton	Independent non-executive director
Richard Smothers	Executive director (from 23 March 2015)

In accordance with the requirement of the UK Corporate Governance Code, at the Annual General Meeting of the Company in July 2015 all the directors currently appointed shall retire and offer themselves for re-election.

Details of directors' service arrangements are set out in the remuneration report on page 79.

A statement of directors' interests in the shares of Mothercare plc and of their remuneration is set out on pages 70 and 67 respectively. A statement of directors' interests in contracts and indemnity arrangements is set out on page 46.

Employees

The Company involves all of its employees in the delivery of its strategy. It regularly discusses with all its employees its corporate objectives, trading results and performance, as well as the economic environments in which the Company trades through its business sectors. This is achieved through the Company employee website and magazine 'SmallTalk', monthly briefings by the Chief Executive and other Executive Committee members, updates on financial results and trading performance and through other email and video presentations. These communications are extended to the Group's overseas offices in India, Bangladesh, Hong Kong and China, and to the stores in the UK. Also, the Company holds "sounding boards", meetings attended by a member of the Executive Committee at which employees can raise any issue relating to the business.

The Company aspires to develop a loyal and high performing team through the development of its culture and values. Annual performance reviews are carried out with all employees and objectives are set that align with business strategy. In addition, we offer a variety of development opportunities and training interventions to enable employees to improve their skills.

The Group's remuneration strategy is set out in the remuneration report which includes details of the various incentive schemes and share plans operated by the Group. In addition to the share plans offered to senior management, during the year under review the Company offered employees to participate in an Inland Revenue approved SAYE scheme, and issued non-contributory conditional share awards to all employees that do not participate in the Long Term Incentive Scheme, with performance conditions linked to those of the LTIP outlined in the Remuneration Report (CSOP).

Disabled employees

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

Organisation review

During the year under review, it became necessary to implement an organisation review in the Company's UK stores. The Company undertook a review of workforce planning within its UK retail stores which resulted in the reorganisation of the majority of its Customer Service Advisors to ensure that they were in the right place at the right time to cover key trading periods. Consequently, there were a number of redundancies due to a reduction in contractual hours, however we recruited a significant number of additional employees on shorter, more flexible contracts to provide better customer service. Also, changes were proposed to the store management structure to align accountability and consistency across the business. As part of this process, in both cases a consultation process was carried out by the Company and the Company engaged with those employees affected. The Company recognises the impact of such processes on its employees and each process was carried out thoroughly and professionally, and in compliance with relevant laws and regulations.

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

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

Corporate citizenship

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

Global Code of Conduct – key themes:

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

Greenhouse gas emissions

The Group's performance against targets for greenhouse gas emissions, waste and packaging is set out in the Corporate Responsibility section of this Report on page 34.

Auditors

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

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

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

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

Charitable and political donations

The Company made no donations during the year to the Mothercare Group Foundation. However, the Foundation has received the proceeds from sales of products in the Company's staff shop and was in a position at the end of the year to make certain charitable donations. Donations were made to: Alder Hey Children's charity, Fashion & Textile Children's Trust, KidsOut and Tommy's. Total cash charitable donations made by the Mothercare Group Foundation for the year ended 28 March 2015 were £89,000 (FY2014: £nil).

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

Post balance sheet events

Post balance sheet events are disclosed in note 31 to the financial statements.

Annual General Meeting

The 2015 Annual General Meeting will be held on Thursday, 23 July 2015 at 3.00pm in the conference suite at the Company's head office at Cherry Tree Road, Watford, Hertfordshire WD24 6SH.

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

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

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

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

By order of the Board

Tim Ashby
Group General Counsel
and Company Secretary
20 May 2015

Directors' remuneration report

Imelda Walsh
Chair, Remuneration Committee

Dear Shareholder,
As Chairman of the Remuneration Committee, I am pleased to present this Report covering the financial year, which ended on 28 March 2015 for your approval.

As already noted by the Chairman, FY2015 was a year of major activity and significant corporate events. Under the leadership of Mark Newton-Jones, Mothercare has a new strategic plan and in FY2015 good progress was made.

In the UK business, we ended the year with stabilised margins and positive like-for-like sales growth. In our international business, we continued to grow year on year, whilst facing significant currency challenges, which impacted reported sales.

The major corporate events were the uninvited approach made by a US retailer, and the Company's £100 million rights issue, which was approved, overwhelmingly by shareholders, in October 2014. The rights issue was the first step in the new strategic plan to restore Mothercare to the position of the leading global retailer for parents and young children. Under this plan there are six key pillars of change and these form an integral part of the business scorecard, which all colleagues, including Executive Directors will be rewarded on in 2015/16.

The past year has placed many demands on the Remuneration Committee including:

- The appointment of Mark Newton-Jones as CEO in July 2014 (in the middle of a takeover approach).
- The appointment of Richard Smothers as CFO in March 2015.
- The alignment of the executive incentive schemes to the Company's new strategic plan, including the LTIP award for FY2015.
- The approval of an all-employee share scheme to support the achievement of the Company's strategic plan.
- Consideration of the terms of the long and short-term incentive plan for FY2016.
- The introduction of clawback provisions that apply to all awards from FY2016 onwards.
- The further extension of our policy on holding periods for Executive Directors so that from FY2016 LTIP awards will be structured so that there will be a minimum of five years between grant and permitted sale of shares (other than a sale to settle tax and national insurance liabilities).

In my statement last year, I explained that the Committee had found it challenging to set out a long-term remuneration policy given our business circumstances and an ongoing search for a permanent CEO. I am pleased to report that the policy we submitted for shareholder approval last year has provided us with appropriate flexibility and remains unchanged. The policy was approved at the AGM in July 2014 and can be found on pages 72 to 81 of this report. We have updated aspects of the implementation of this policy for FY2016, and these are described in the Annual Remuneration Report.

Remuneration in FY2015
Appointment of New CEO
We appointed Mark Newton-Jones as Chief Executive on 17 July 2014 at a difficult and uncertain time. The Board had rejected a hostile takeover bid but the bidder decided to approach shareholders directly. This takeover approach was still live at the time the Board wanted to appoint Mark Newton-Jones as CEO. The Board believed that it was essential to confirm his appointment as early as possible both to ensure Mark could lead a robust defence but also continue to develop the new strategic plan. The Board was also, at this time, discussing the details of and arrangements for a rights issue, which was seen as an essential component of the plan. Until the bid was withdrawn there remained a risk that there could be a change of control of the Company and therefore

Mark Newton-Jones requested that his terms of appointment reflect this risk and provide him with some protection. The Remuneration Committee considered this request and agreed that it was appropriate to provide the new CEO with some additional safeguards but limited to the first year of his appointment only. The Remuneration Committee consulted on these arrangements with certain of its shareholders immediately prior to announcing Mark's appointment. Details of these terms (which were due to expire on 17 July 2015) were set out in the prospectus to the rights issue, and are included in this report on page 65. However, I am pleased to report that, following the FY2015 year end, Mark agreed to waive these provisions.

Mark Newton-Jones was appointed on a base salary of £600,000 with a bonus entitlement of up to 125% of salary. In his first year, Mark Newton-Jones's LTIP entitlement was agreed at 300% of salary, which was in line with the Company's approved remuneration policy, reducing to 200% thereafter.

LTIP Award
As noted elsewhere in the annual report, the Company received strong support from shareholders for its £100 million rights issue, which set out the longer-term prospects for Mothercare from the recovery of the UK business and the further potential of its International franchise operations.

During October and November, the Remuneration Committee consulted with major shareholders (who hold circa 70% of our issued shares), on the measures and proposed targets for the long-term incentive award. This was in line with our approved policy, but the Committee had delayed making the award until a new CEO had been appointed and it had consulted with major shareholders on the terms of the award.

The performance targets selected were absolute share price growth (this was considered to be important given the fall in shareholder value over the past few years) and Group PBT (again to reflect the need to restore earnings through a significant turnaround in UK performance and the further development of our International businesses in both new and existing markets). Share price growth would be measured over three years and any shares vesting subject to a further one-year holding period. Group PBT would be measured over four years.

Those consulted were largely supportive of the proposal but the Committee agreed that when it came to determine the degree to which the performance conditions had been met, it would also review the underlying financial health of the Company and in particular the recovery of its UK business.

In December 2014, Mark Newton-Jones was granted share options to the value of 300% of his salary.

When Richard Smothers joined the Company as Chief Financial Officer and Executive Director in March 2015, as part of his appointment terms, he was also eligible to receive an award, which in line with our approved policy was 200% of salary. Thereafter future awards will be reduced to 175% (further details on Richard's terms of employment are set out on page 66).

Full details on the LTIP award made in FY2015 are on page 68.

Employee Plan
The future success of Mothercare will in large part rest on the commitment and service provided by our employees, particularly in our UK business. Therefore the Remuneration Committee was delighted to support the launch of an employee plan, which covers all eligible colleagues not included in the long-term incentive plan. This is an options based scheme with an additional Group PBT underpin which must be satisfied before an option can vest. The award was made in December 2014 and currently 4,238 colleagues are in the scheme, receiving an award to the value of 10% of their salary. The share options were issued at £1.84 and any shares, which vest are exercisable from May 2018. The value to the colleague is the difference between the option price and the exercise price. These awards will be settled by market purchased shares.

Annual Bonus Award
Executive Directors' bonus awards are made up of two elements; 70% is attributable to underlying Group PBT and 30% to an assessment of various personal and business scorecard measures. The maximum bonus award for an Executive Director is 125% of salary. Full details of the bonus award made to Mark Newton-Jones are on page 68 of this report. At the end of FY2015, Mark was the only Executive Director who remained eligible for consideration for an award.

For FY2015 the Remuneration Committee set a demanding threshold target for any bonus payment to be considered. For the financial target this was set at £12.5 million underlying Group PBT, which would trigger 25% of the maximum payable, with 100% payable for achieving £18 million. The underlying Group PBT reported was £13 million, which represented a year on year improvement even with a significant foreign exchange headwind of £3 million, but given the demanding targets set resulted in a payment of 31% of the 70% attributable to this element which translates to a bonus of 22%.

The remaining portion of Mark's bonus was based on an assessment of improvements to a variety of business scorecard measures and also a number of personal objectives set by the Chairman and approved by the Committee. Further details on how the Committee assessed achievement is set out on page 68 but in summary the Committee believed significant progress had been made in FY2015 against key business measures and also the personal objectives set, such as the new strategic plan, the rights issue and the re-building of the senior leadership team. As a result of these achievements, the Committee awarded 80% of the maximum available of 30%, which is a bonus of 24%.

Taking the financial, business scorecard and personal objectives awards together, this generated a final bonus award of 46% of his maximum entitlement or 57.5% of salary, pro-rated from his permanent appointment as CEO on 17 July 2014.

In line with the approved policy, 70% of the award will be payable in cash and 30% deferred into shares held for three years which will also be subject to malus.

Prior Year LTIP awards

The performance based long-term incentive plan granted in 2012/13 (LTIP 1) and due to vest in March 2015 did not achieve the targets set and has lapsed. There were no longer any participating Executive Directors following the resignation of Matt Smith.

The performance based long term incentive plan granted in 2013/14 (LTIP 2) with performance targets measured both in March 2016 and March 2017, no longer has any participating Executive Directors following the resignation of Matt Smith.

Remuneration in FY2016

Shareholders at the AGM approved the remuneration policy on 17 July 2014 and the Committee is not resubmitting the policy to shareholders at the next AGM. A copy of the policy is included at the end of this report.

Executive Salaries

Executive Directors' salaries were reviewed in March 2015 and no increases were given. The next review is scheduled to take place in March 2016.

LTIP award including the introduction of clawback and an extension to the holding period

The Committee consulted with shareholders on the long-term incentive award for this financial year. Performance targets will be based on underlying Group PBT (50%) and on Total Shareholder Return (50%) against a relevant group of comparator companies. We replaced absolute share price with relative TSR following feedback from a number of shareholders at the time that we introduced LTIP3. TSR will be measured over three years with any shares vesting subject to a further two-year holding period. Group PBT will be measured over four years and will be subject to a further one-year holding period. This award will also be subject to clawback in addition to the existing malus provisions. Further details on the award are provided on page 62, including additional factors that major shareholders asked us to consider at the point that the degree of vesting (if any) is determined.

Annual bonus including the introduction of clawback

The Annual Bonus Plan (STIP) remains unchanged with 70% for achieving underlying Group PBT targets and 30% for achieving other personal objectives and business scorecard measures. Where an award is made, 70% of the payment will continue to be made in cash and the remaining 30% deferred into shares for three years. The cash payment will now be subject to clawback and further information is provided on page 62. As I mentioned earlier, the business scorecard element of the bonus is made up of key measures and targets, which form part of the new business plan.

It has been a demanding year for the Committee and I have been grateful for the support of my Board colleagues. Major shareholders have also been generous with their time and feedback. The activities of the Committee are summarised on page 64.

This report has been prepared taking into account the UK Corporate Governance Code 2012, updated in 2014, and in particular the introduction of clawback reflects the updated code. This statement and the Annual Report on Remuneration are subject to an advisory vote at the 2015 AGM.

We greatly value our dialogue with our shareholders and as such we welcome your feedback on this report.

Imelda Walsh
Chair, Remuneration Committee
20 May 2015

Introduction

This is a report on the activities of the Remuneration Committee for the 52 week period to 28 March 2015. It sets out the remuneration policy of the Company as it applies to the Executive Directors of the Company and details the remuneration received. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 ("the Regulations") as amended in August 2013. The Group prepared the report in accordance with the Regulations for the first time for its 2014 annual report. This is the second time that the Group has prepared the report in line with the Regulations.

The report is split into three main areas:

- The statement by the Chair of the Remuneration Committee.
- The annual report on remuneration – this provides details on remuneration in the period covered by this report and certain other information as required by the Regulations; it will be subject to an advisory shareholder vote at the Annual General Meeting.
- The Directors' Remuneration Policy – approved on 17 July 2014.

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

Implementation of Remuneration Policy in FY2016

Base Salaries

Executive Directors

The Directors' salaries are normally reviewed in March each year. Mark Newton-Jones was appointed as CEO on 17 July 2014 on a salary of £600,000. For FY2016 his salary will remain unchanged. Richard Smothers, the CFO, was appointed on 23 March 2015 on a salary of £340,000. The salaries for FY2016 and current salaries, as at 28 March 2015 are:

	FY2016	FY2015[1]	Increase
Mark Newton-Jones	£600,000	£600,000	0%
Richard Smothers	£340,000	£340,000	0%

1 Both the CEO and CFO were recruited during 2015, for comparison purposes this is the salary as if they had been appointed for the full year.

The Chairman's remuneration is determined by the Remuneration Committee without the Chairman being present. The Chairman's fee was set at £200,000 when he joined the Company in 2011 and has not increased since then.

The fees paid annually to the non-executive directors for FY2016 are:

Base fee p.a.

- £50,000

Supplemental fee p.a.

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

Expenses

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

Benefits and Pension

The Company provides benefits to employees in addition to base salary. Benefits to Executive Directors are provided and paid in line with the Company's policy.

Executive Directors' Relocation

Mark Newton-Jones and Richard Smothers are eligible for a relocation package as part of their appointment, details of this are contained on pages 65 and 66 respectively.

Malus and Clawback

During FY2015 the Remuneration Committee approved the implementation of the operation of clawback in addition to malus, which already applies to both annual and long-term incentive plans. This approach will apply to all Executive Directors and Executive Committee members.

Malus will typically be an adjustment to the cash award or number of shares before an award has been made or released.

Remuneration report
continued

Clawback requires the executive to make a cash repayment to the Company or the surrender of shares or other benefits provided by the Company.

The amended provisions will apply to all cash and share awards granted in FY2016, with the exception of any bonus award for the FY2015 performance year, which will be covered by the pre-existing arrangements.

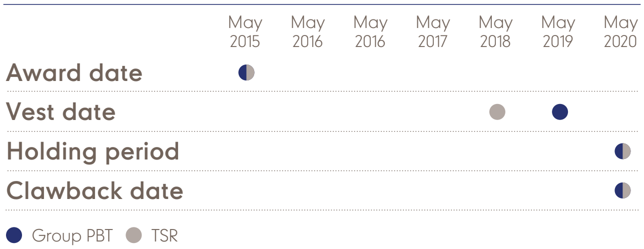
The overall intention is that, except in exceptional circumstances, malus will apply before awards are paid or vest. Clawback will apply under the Short Term Incentive Plan (STIP) bonus scheme, for up to three years from when the cash payment is made, and malus will apply to any deferred shares (awarded at the same time as the cash payment) for the three year period of the deferral. Under the Long Term Incentive Plans (LTIP) clawback would apply for up to two years following a three year measurement period and for up to one year following a four year measurement period. Therefore, in total an award would be subject to malus or clawback for up to five years.

As a minimum, the events in which malus and clawback may apply are as follows:

Triggers for malus or reduction of awards	Triggers for clawback or recovery of awards
Material misstatement of financial statements.	Material misstatement of financial statements.
Gross misconduct/fraud of the participant.	Gross misconduct/fraud of the participant.
Where performance has driven vesting which is clearly unsustainable	Where there has been an error in the calculation of performance outcomes
Where there has been an error in the calculation of performance outcomes.	

The Remuneration Committee, following the guiding principles laid out in the malus and clawback policy, will make any decision about the application of malus and clawback.

Executive Directors



Aligning incentives to the strategic plan

The table below shows how the strategic plan is linked to incentives.

Strategic Priorities	Measures	STIP 2015/2016	LTIP 2015/16
Business Scorecard	Sales; Costs; Final Achieved Margin; Customer Satisfaction	√	
Profitability	PBT	√	√
Shareholder Value	TSR		√

STIP – Annual Bonus

For FY2016, and in line with our policy, 70% of the bonus will be payable for achieving underlying Group profit before tax targets, 20% for achieving business scorecard measures and 10% for achieving specific personal objectives. Where a bonus is awarded, 70% of the payment will continue to be made in cash and the remaining 30% deferred into shares for three years.

The specific financial, personal and business scorecard targets are considered to be commercially sensitive because of the confidential nature of the information that disclosure would provide to the Company's competitors. However, full disclosure will be provided after the financial year end in the FY2016 annual report on remuneration.

Long Term Incentives

An award for the current year will be made following the preliminary results announcement and in accordance with the approved remuneration policy.

The Committee consulted with major shareholders and representative bodies during April and May regarding both the proposed measures and targets. For this award, the Committee proposed Relative Total Shareholder Return as a measure to replace Absolute Share Price. Profit Before Tax has been retained.

Participants in the LTIP will earn up to 50% of the award if the TSR of the Company is in the upper quartile when ranked against a comparator group of general retailers (as shown in the table below) at the end of FY2018, and will earn up to 50% of the award if Group PBT is £70 million at the end of FY2019. The performance metrics are set out in the table on page 63.

Any award which vests under the TSR performance measure will be subject to a two year holding period, and any award which vests under the Group PBT performance measure will be subject to a one year holding period.

Vesting (% of max)	FY2018 TSR	FY2019 Group PBT
0%	Below median	<£55m
25%	Median	£55m
100%	Upper quartile	£70m

Note – there is straight line vesting between 25% and 100%.

Comparator companies for LTIP4 TSR performance measurement

Just Eat	JD Sports Fashion
Dunelm Group	AO World
Home Retail Group	Game Digital
WH Smith	Darty
Brown (N) Group	Carpetright
Pets at Home Group	Topps Tiles
Debenhams	Findel
Card Factory	Ashley (Laura) Holdings
Poundland Group	Moss Brothers Group

The TSR comparator group was compiled by reference to the constituents of the FTSE All Share General Retailers index. The companies chosen from this index were tailored to Mothercare's circumstances in two ways:

I. constituents limited to those with a market capitalisation of below £3 billion, to exclude the very largest retailers; and

II. from the remaining list of organisations, the Remuneration Committee selected a peer group of sufficient size to provide a robust comparator group, excluding only a small number (for example Pendragon and Saga) where the nature of the business was considered not to provide an appropriate comparator for Mothercare. The significant majority were therefore retained in order to construct the comparator group of 18 Companies.

When assessing the degree to which the performance measures have been achieved, in line with our approved remuneration policy, the Committee will continue to consider the underlying financial health of the Company and the level of shareholding achieved by Executive Directors during the performance period. In addition, following the recent consultation with major shareholders and institutional representatives, the Remuneration Committee will also look at investment returns, particularly in the UK business but also performance across the Group.

The Remuneration Committee believes that the chosen measures and targets selected create the right balance between motivating and retaining Executive Directors and other senior management who participate in the LTIP and promoting the delivery of sustainable value creation for our shareholders.

Remuneration in FY2015

The Remuneration Committee

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

Remit and Activity of the Remuneration Committee

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

The Committee held several meetings during the year. Each member's attendance at the formal meetings is set out on page 46 of the corporate governance report. The table below lists the detail of the scope of and actions arising from those meetings.

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

Remuneration report
continued

Remuneration Committee activity
The Committee considered the following matters during the year:

Heading	Scope	Action
Salary	Approval of any pay awards to the Executive Directors or Executive Committee	• Consideration of any general pay award offered to Group employees • Consideration of any grounds or reasons for an increase in salary, particularly if greater than the pay award generally offered to Company employees
Annual bonus/ short-term incentive plan	Review of any bonus or short term incentive plan against the purpose and link to strategy outlined in the Remuneration Policy Report	• Approval of the rules of the short term incentive plan offered to relevant employees for FY2015 • Agreement that Executive Directors must continue to defer 30% of any annual bonus into shares to be held (subject to conditions) for three years
Long term incentive plan	Review of the long term incentive plan against the purpose and link to strategy outlined in the Remuneration Policy Report	• Approval of LTIP performance measures following consultation with the Company's major shareholders • Grant of awards to Executive Directors in December 2014
SAYE	Consideration of the all-employee SAYE scheme	• Consideration of changes to tax and non-tax advantaged schemes under the Finance Act 2014 • Approval of the grant and scheme conditions
All employee share scheme	Approval of a new all employee share scheme (excluding Directors)	• Scheme rules approved
All plans	Rights issue	• Consideration of the impact on share dilution and share schemes as a result of the rights issue and rights adjustments thereof
Governance	Preparation of the Directors' Remuneration Policy for approval by shareholders at forthcoming Annual General Meeting	• Taking relevant advice from remuneration consultants (PwC) • Review of the new regulations and also annual reports made by other similar companies • Recommendation to the Board for approval of the Directors' Remuneration Policy as part of the Annual Report
	Malus and clawback	• Reviewed and implemented a guide detailing the Committee's remit on malus and clawback applying to Executive Directors and Executive Committee members
Recruitment	Consideration of appropriate appointment and departure terms for plc directors	• Appointment of Mark Newton-Jones to CEO • Resignation of Matt Smith as CFO • Appointment of Richard Smothers to CFO

Advisers to the Remuneration Committee

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

As at 28 March 2015, the Committee's advisers were:

Person or organisation	Services provided	Fees
PricewaterhouseCoopers LLP (PwC)	Advice on incentive schemes, executive remuneration and remuneration benchmarking. Support with the rights issue and the recruitment of Executive Directors	£111,500 excl. VAT
DLA Piper LLP	Legal services principally in respect of employment contracts	£30,028 excl. VAT

The appointment of external independent remuneration consultants is the responsibility of the Committee. PwC were appointed as the Committee's independent advisers in 2012 following a selection process. PwC provided services to the Committee on a time spent basis at a cost of £111,500 (excluding VAT) during the year. PwC also provides certain other advice and non-audit services to the Group and the Committee is satisfied that this does not compromise the independence of the advice provided. PwC is a member of the Remuneration Consultants Group and adheres to the voluntary Code of Practice in relation to the advice it provides to the Company.

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

Recruitment of new plc Directors

Mark Newton-Jones, CEO

The Group appointed Mark Newton-Jones as its Interim Chief Executive Officer with effect from 17 March 2014. Mark Newton-Jones was appointed on a six month contract under which his salary for the six-month period was £450,000 with a bonus opportunity of up to £225,000 subject to the achievement of performance targets. Mark Newton-Jones was not entitled to any pension contribution or other benefits (such as company car) and did not participate in any long-term incentive scheme. Rather than receiving a relocation allowance, Mark Newton-Jones received a per diem allowance of £100 per day to cover accommodation and subsistence expenses. As Interim CEO, Mark reported to the Board but was not a member of the Plc Board. These arrangements were specific and tailored to his interim assignment, which ceased on 17 July 2014 when following a thorough executive recruitment search Mark was appointed as the Group's Chief Executive Officer and Executive Director. Mark Newton-Jones also received in full the bonus payable in respect of his period as Interim Chief Executive Officer. The Remuneration Committee determined that the payment of the bonus was due following an assessment of the achievements that had been made against the agreed performance targets and the strategic and financial improvements that had been delivered under the period of his interim appointment. It was noted in the prospectus that the term of Mark's interim service agreement was being shortened and that he would be appointed as CEO on a salary of £600,000, which was below the annualised salary under the terms of the interim service agreement.

With effect from 17 July 2014, Mark Newton-Jones' salary was £600,000 per annum with the remainder of remuneration package in line with the Company's Remuneration Policy, which includes a pension allowance equivalent to 15% of salary, and an allowance of £14,227 from the Company under its Flexible Choices Benefits Plan. Mark was also awarded a relocation package of up to a maximum of £150,000 gross (including tax and national insurance). The first £8,000 is without deduction of tax and national insurance providing the relocation expenses qualify for exemption under HMRC rules. Therefore the Company expects to reimburse approximately £75,000 net (after income tax and employee's national insurance contributions) in addition to the tax and national insurance exempt £8,000. This is in respect of costs incurred in relocating to accommodation within a reasonable daily travelling distance to the Company's offices at Watford. The Company also agreed that Mark's first LTIP award would be equivalent to 300% of salary, thereafter his normal award level would be 200% of salary. This initial award would be made only after consultation with major shareholders on the measures and terms of the award.

At the time of Mark Newton-Jones' appointment as Chief Executive Officer in July 2014, the Group was subject to a takeover offer. Accordingly, in light of the exceptional circumstances in which the Company found itself, it was agreed that a temporary change of control clause be included in Mark Newton-Jones' contract. This clause stated that in the event of a change of control in the ownership of the Company and Mark Newton-Jones' departure from the Company within 12 months of his appointment on 17 July 2014, as CEO, Mark would be entitled to receive a sum equivalent to the full bonus due to him under the Short-Term Incentive Plan as if he had earned and was entitled to it in full for the period from 17 July 2014 to 28 March 2015. The Remuneration Committee consulted with certain of its major shareholders as part of this process. This condition was due to expire on 17 July 2015, however following the FY2015 year end Mark waived this right.

The above information was also disclosed in full in the Prospectus published by the Company in support of the rights issue on 23 September 2014.

Richard Smothers, CFO
Richard Smothers joined the Group on 23 March 2015 on a salary of £340,000 annum with the remainder of his remuneration package in line with the Company's Policy. Richard is entitled to participate in the Company's short and long-term incentive plans and on his appointment the Company made a grant of shares equivalent to 200% of salary. His LTIP award level will reduce to 175% thereafter. As compensation for the loss of share awards on leaving his former employer, the Company made a one-off conditional share award equivalent to £150,000, which will vest on the first anniversary of the commencement of his employment. The Company also agreed to provide Richard with relocation assistance of up to a maximum of £50,000 gross (net £30,260 providing the first £8,000 is without deduction of tax and National Insurance) in respect of costs incurred in relocating to accommodation within a reasonable daily travelling distance to the Company's offices at Watford.

Matt Smith (former CFO)
Matt Smith gave notice of his resignation as CFO and Executive Director on 25 July 2014 and left the Group on 20 January 2015. Under the terms of his service agreement Matt Smith had a notice period of 12 months and remained with Mothercare until his successor was identified and an appropriate transition plan was in place. Upon leaving, all Matt Smith's LTIP awards, deferred shares and share options lapsed.

Statement of voting at General Meeting

At the Annual General Meeting held on 17 July 2014, the resolutions to approve the Directors' Remuneration Report on Policy and the Directors' Remuneration Report were passed on a show of hands. The FY2014 Directors' Remuneration Report comprised a Policy report subject to a binding vote, and an Advisory report subject to an advisory vote.

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

Resolution	Votes For (including discretion)	% of Votes For (including discretion)	Votes Against	% of Votes Against	Total votes cast	Votes withheld*	% of votes withheld
To approve the Directors' Remuneration Policy	71,707,297	99.68	233,137	0.32	71,940,434	592,793	0.82
To approve the Directors' Remuneration Report	71,414,848	99.26	529,728	0.74	71,944,576	588,651	0.81

Notes:
* A vote withheld is not a vote in law and is not counted in the calculation of votes 'for' and 'against' each resolution.

- As at 15 July 2014, the Company's issued share capital and total voting rights consisted of 88,821,250 ordinary shares each carrying voting rights. There are no shares in treasury. As a result, proxy votes representing approximately 81.6% of the voting capital were cast.
- Following the rights issue the issued share capital was increased to 168,767,065 on 27 October 2014.

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

Single Total Figure of Remuneration for Directors (auditable)

The following table shows a single total figure of remuneration in respect of qualifying services for FY2015 for each Director, together with comparative figures for FY2014.

Single total figure	Year	Salary and fees £'000	Taxable benefits[7] £'000	Bonus £'000	LTIP £'000	Pension £'000	Other £'000	Total £'000
Mark Newton-Jones	2015	415[1]	33[3]	242[2]	–	69	–	759
	2014	–	–	–	–	–	–	–
Matt Smith	2015	271[4]	13	0	–	42	–	326
	2014	325	15	–	–	50	–	390
Richard Smothers	2015	6	0	–	–	–	–	6
	2014	–	–	–	–	–	–	–
Alan Parker	2015	200	10	–	–	–	–	210
	2014	200	–	–	–	–	–	200
Angela Brav	2015	50	–	–	–	–	–	50
	2014	50	–	–	–	–	–	50
Lee Ginsberg	2015	52[5]	0	–	–	–	–	52
	2014	61[5]	–	–	–	–	–	61
Amanda Mackenzie	2015	50	–	–	–	–	–	50
	2014	50	–	–	–	–	–	50
Richard Rivers	2015	60[6]	–	–	–	–	–	60
	2014	50[6]	–	–	–	–	–	50
Imelda Walsh	2015	57	–	–	–	–	–	57
	2014	46	–	–	–	–	–	46
Nick Wharton	2015	50	–	–	–	–	–	50
	2014	19	–	–	–	–	–	19

1 Salary and fees for Mark Newton-Jones is prorated from 17 July 2014 the date at which he joined as permanent CEO. His interim fees are reported on page 65.
2 Mark Newton-Jones' bonus refers to bonus earned since he joined as permanent CEO and has therefore been applied to his prorated salary. This will be split 70% in cash and 30% deferred into nil cost share options, which vest after three years subject to the conditions of the STIP scheme.
3 This contains a relocation payment of £24,674 which includes an overpayment of £6,000 in March 2015. This will be offset against future receipts and recouped from salary if not claimed within six months of overpayment i.e. in September 2015.
4 Matt Smith left the business on 20 January 2015.
5 Lee Ginsberg fees reflect recovery of the £5,000 gross overpayment made in error in 2013/14.
6 Richard Rivers fees reflect adjustment of the £5,000 gross underpayment from 2013/14.
7 Relate to business expenses which are subject to and have been grossed up for tax and National Insurance where applicable.

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

Taxable Benefits (auditable)

Benefits for Executive Directors typically include a company car, medical insurance and other similar benefits.
For Non-Executive Directors certain expenses relating to the performance of a director's duties in carrying out activities such as travel to and from company meetings, are classified as taxable benefits. In such cases, the Company will ensure that the director is not out of pocket by settling the related tax via the PSA. In line with current regulations these taxable benefits have been disclosed and are shown in the taxable benefits column in the Single Total Figure of Remuneration for Directors table. The figures shown include the cost of the expenses grossed up for tax and National Insurance.

Remuneration report
continued

Annual Bonus – STIP (auditable)

Executive Directors' bonus awards are made up of two elements; 70% is attributable to underlying Group PBT and 30% to an assessment of various personal and business scorecard measures. The maximum bonus award for an Executive Director is 125% of salary. At the end of FY2015, Mark was the only Executive Director who remained eligible for consideration for an award.

For FY2015 the Remuneration Committee set a demanding threshold target for any bonus payment to be considered. For the financial target this was set at £12.5 million underlying Group PBT, which would trigger 25% of the maximum payable, with 100% payable for achieving £18 million. The underlying Group PBT reported was £13 million, which represented a significant year on year improvement but given the demanding targets set, resulted in a payment of 31% of the 70% attributable to this element which translates to a bonus of 22%.

The remaining portion of Mark's bonus was based on an assessment of improvements to key business scorecard measures and also a number of personal objectives set by the Chairman and approved by the Committee.

For the Business Scorecard measures, the Committee selected Customer Satisfaction and Margin/Cost Management.

During FY2015, the Company's Customer Satisfaction score continued its improvement over the previous few years with its net promoter score reaching 77%. Cost and margin management was required throughout the financial year, and remains an important element of the new strategic plan both in terms of cost control and in the ability to reinvest the Company's money for future growth. Over the period, Mark ensured that stock management improved, UK margins stabilised after five years of decline and that the organisation managed its cost base tightly whilst also putting in place modern retailing practices.

The personal objectives set covered the successful delivery of the rights issue, the development of a new strategic plan, the rebuilding of the executive team and other senior leadership positions, and developing relationships with some of the Company's long-standing franchise partners.

In the Committee's judgement, Mark exceeded expectations. Mothercare ended FY2015 with good momentum across its UK and international businesses with clear and detailed plans for the delivery of the turnaround.

As a result of these achievements, the Committee awarded 80% of the maximum available of 30%, which is a bonus of 24%.

Taking the financial, business scorecard and personal objectives awards together, this generated a final bonus award of 46% of his maximum entitlement or 57.5% of salary, pro-rated from his permanent appointment as CEO on 17 July 2014.

In line with the approved policy, 70% of the award will be payable in cash and 30% deferred into shares held for three years subject to continued employment and also subject to malus.

Long-Term Incentive Plans

At the end of FY2015, the performance conditions of the LTIP granted in March 2013 (covering the 3-year performance period FY2013 to FY2015) were assessed and the Committee concluded that neither the absolute share price nor Group PBT performance conditions had achieved the threshold level of vesting. Therefore this plan has now lapsed. The next LTIP award capable of vesting will be the award made in December 2013 in respect of the FY2014 to FY2017 performance period. The absolute share price and Group PBT measures will be assessed at the end of FY2016 and the degree of vesting determined and the third measure, UK PBT will be assessed at the end of FY2017.

Following the resignation of Matt Smith, there are no longer any Executive Directors who participate in this incentive plan.

LTIP Awards Made in FY2015 (auditable)

Awards were made in December 2014 (CEO) and March 2015 (CFO). Key terms of the awards made to the Executive Directors are set out below.

Award levels

Awards of 300% of salary and 200% of salary were made to the CEO and the new CFO respectively as part of their recruitment arrangements.

Performance conditions

There are two performance conditions, Group PBT and share price, weighted equally on a 50:50 basis.

Share price performance will be assessed over a three year period; Group PBT performance over a four year period.

The portion of any award which vests over three years will be subject to a further one year holding period, in line with the Company's approved Remuneration Policy (future awards as set out on pages 62 and 63 will be subject to an additional holding period).

The associated targets and vesting schedule is set out in the table below:

FY2017 Absolute share price	FY2018 Group PBT	Vesting (% of max)
<£2.50	<£40m	0%
£2.50	£40m	25%
£2.90	£45m	50%
£3.30	£50m	75%
£3.70 or more	£55m or more	100%

Note – there is straight line vesting between 25% and 100%.

Share price performance will be assessed at the end of FY2017. Any element of this award that vests must be held net of taxes by the Executive Director for a further year before it can be sold.

Group PBT performance will be assessed by reference to the audited financial results for FY2018. For this award, there is no further holding period.

The CEO will be expected to build up a shareholding equal to 150% of his salary of which one third must be achieved within one year of the grant date. Mark Newton-Jones has already achieved this. The CFO will also be expected to build up a shareholding equal to 100% of which one third must be achieved within one year of the grant date. For Richard Smothers, this is 23 March 2016.

Executive Directors are expected to achieve their minimum level of shareholding within five years of appointment and 75% of any vested awards (net of tax) must be retained by the Executive Director until this shareholding requirement is achieved.

When assessing the degree to which the performance measures have been achieved, under the approved remuneration policy, the Committee will review the level of shareholding achieved by Executive Directors during the performance period. Following the consultation with major shareholders and institutional representatives during Autumn 2014, the Remuneration Committee also agreed to review the underlying financial health of Mothercare, and specifically progress achieved in the UK business, when considering the level of vesting at the end of the performance period.

Alan Parker Share Matching Scheme

Alan Parker's share matching scheme is not included in the FY2014/15 single total remuneration figures as the two awards made under the scheme in August and November 2011 have lapsed with no element vesting

Total pension entitlements (auditable)

Base salary is the only element of remuneration used to determine pensionable earnings. During the year, Mark Newton-Jones, Matt Smith and Richard Smothers received 15% of their base salary as a pension contribution from the Company.

Scheme interests awarded during the financial year (auditable)

LTIP grants

Awards were made in line with the Company's usual grant policy in December 2014 and March 2015.

Management Incentive Award

Upon joining the Company on 23 March 2015, as compensation for the loss of share awards on leaving his former employer, Richard Smothers received a one-off, exceptional conditional share award equivalent to £150,000 vesting on the first anniversary of the commencement of his employment. Details of Richard Smothers' exceptional award were disclosed at the time of the announcement of his appointment.

Director	Scheme	Basis of award	Face value[1] £'000	Percentage vesting at threshold performance	Number of shares	Performance period end
Mark Newton-Jones	LTIP conditional share awards	300% of salary[2]	1,800	25%	989,011	25 March 2017 and FY2018 (year end date not yet published)
Richard Smothers	LTIP conditional share awards	200% of salary[2]	680	25%	354,167	25 March 2017 and FY2018 (year end date not yet published)
Richard Smothers	Management Incentive Conditional Share Award	Equivalent to £150,000	150	–	78,125	Vests 23 March 2016

1 The face value of the award for the CEO is calculated using an average share price of 182p per share. This was calculated by reference to the TERP-adjusted average share price over a period of 30 business days, beginning the day after the announcement of the rights issue i.e. 24 September 2014 to 4 November 2014.
The face value of the LTIP and management incentive awards for the CFO is calculated by reference to the average share price over a period of 30 business days prior to the date of grant, 23 March 2015, which was 192p per share.

2 The Remuneration Committee, in line with its remuneration policy has discretion to award up to 300% of salary in exceptional circumstances such as a first year award. The normal policy maximum is 200% of salary for the CEO and 175% of salary for the CFO.

Remuneration report
continued

Payments to past Directors (auditable)

There were no payments to past Directors during the past year.

Payments for loss of office (auditable)

Simon Calver resigned from the Board of Mothercare plc on 24 February 2014 and from the Group on 28 March 2014. Under the terms of his service contract Simon Calver had a 12 month notice period. Notwithstanding that he accepted a six month notice period, he was entitled to receive up to £294,540 (£250,000 in lieu of six months' notice and £44,540 in pension contributions and benefits) payable in two instalments. Further, there was a duty to mitigate and the second payment was reduced to £133,791 as a result of Simon Calver's appointment to another company. All share options, awards and deferred shares lapsed on Simon Calver's resignation.

Matt Smith's resignation from the Board was effective on 20 January 2015. There were no payments in lieu of notice and all LTIP awards, deferred shares and annual bonus entitlement lapsed on resignation.

Statement of Directors' shareholding and share interests (auditable)

Executive Directors are expected to build up a shareholding in the Company. After five years, the CEO and CFO (as the Executive Directors) should hold a shareholding equal to 150% and 100% of their salaries respectively.

On 23 September 2014 the Company announced a rights issue of 9 for 10 ordinary shares. The Directors were fully supportive of the rights issue. Certain Directors purchased shares and others increased their existing holdings and were therefore eligible to take up their rights. In all cases, the Directors took up their rights in full.

As at 28 March 2015, the shareholding and share interests of the Directors (and their connected persons) who served during the year in the share capital of the Company are set out in the table below.

Director	Legally owned as at 28 March 2015	Legally owned as at 29 March 2014	LTIP awards		STIP deferred shares		SAYE		% of salary held under share-holding policy
			unvested	vested	unvested	vested	unvested	vested	
Executive Directors									
Mark Newton-Jones	209,380		989,011				3,332		66%[1]
Richard Smothers			354,167		78,125[2]				0
Matt Smith	7,850[3]		–	–	–	–	–	–	0
Non-Executive Directors									
Alan Parker	441,852	232,554	–	–	–	–	–	–	–
Angela Brav	7,641	0	–	–	–	–	–	–	–
Lee Ginsberg	10,830	0	–	–	–	–	–	–	–
Amanda Mackenzie	48,944	25,760	–	–	–	–	–	–	–
Richard Rivers	70,269	29,000	–	–	–	–	–	–	–
Imelda Walsh	7,641	0	–	–	–	–	–	–	–
Nick Wharton[4]	7,296	3,840	–	–	–	–	–	–	–

No changes took place in the interests of the directors between 28 March 2015 and 16 May 2015.

Matt Smith's unvested share interests totalling 367,785 LTIP awards and 24,346 STIP all lapsed upon his resignation. The options held by the Chairman of 60,000 and 54,997 options under the Chairman's share matching scheme did not vest and have lapsed.

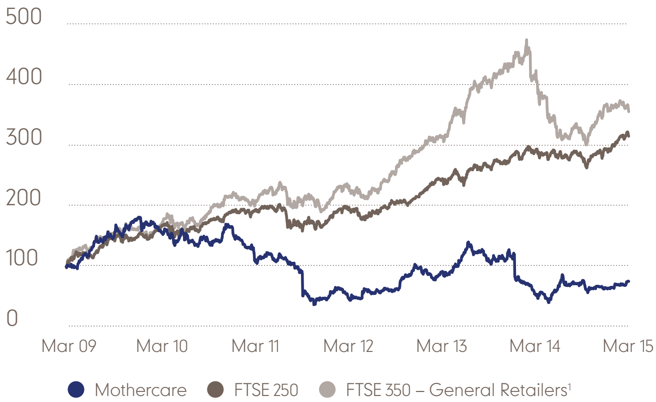
1 Mark Newton-Jones' percentage was calculated by reference to the price paid by him per share at the points of investment.
2 Share award in respect of loss of share awards from former employer.
3 Shares owned on date of resignation.
4 Nick Wharton's interest is held by his spouse, a connected person.

Mothercare Employees' Share Trustee Limited
Mothercare Employees' Share Trustee Limited held 5,986 Mothercare plc shares in trust on 28 March 2015 (29 March 2014: 3,151 shares). A separate trust, the Mothercare Employee Trust, held 127,524 shares on 28 March 2015 (29 March 2014: 67,118 shares). Both trusts took up their rights in respect of the rights issue.

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

Performance graph and CEO remuneration table
The performance graph below shows the Group's TSR against the return achieved by the FTSE250 index. Mothercare plc entered the FTSE250 on 30 June 2008 but returned to the FTSE SmallCap Index on 19 December 2011. The performance graph below shows performance against the FTSE250 Index and the FTSE All Share General Retailers Index. The graph shows the six financial years to 28 March 2015.

TSR data indexed to 100



Source: Datastream as at 27 March 2015

1 FTSE 350 – General Retailers consists of: AA, AO World, N Brown, Card Factory, Debenhams, Dignity, Dixons, Dunelm, Halfords, Home Retail Group, Inchcape, JD Sports, Just Eat, Kingfisher, M&S, Next, Pets at Home, Poundland, Saga, Sports Direct and WH Smith.

The table below sets out the details for the director undertaking the role of CEO over the past six years:

Year	CEO	CEO single figure of total remuneration (£000s)	Annual bonus pay-out against maximum %	Long term incentive vesting rates against maximum opportunity %
2015	Mark Newton-Jones	759	46	0[1]
2014	Simon Calver	587	0	0
2013	Simon Calver	611	11	0
2012	Ben Gordon	5,038	0	65.5
2011	Ben Gordon	5,231	0	99.5
2010	Ben Gordon	6,505	27.7	100

1 Mark Newton-Jones has no long term shares to vest in FY2015.

Mark Newton-Jones was appointed CEO on 17 July 2014.

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

Remuneration report
continued

Percentage change in remuneration of director undertaking the role of CEO

The table shows the percentage change in remuneration of the Director undertaking the role of Chief Executive Officer of the parent company compared to salaried employees in head office and retail between FY2014 and FY2015. Hourly paid employees have been excluded as they work variable hours due to the availability of overtime.

Percentage increase in remuneration in FY2015 compared with remuneration in FY2014

	CEO			Average of salaried employees		
	FY2015 £	FY2014 £	% change	FY2015 £	FY2014 £	% change
Base salary p.a.	600,000	500,000	20	34,791	34,339	1.3
All taxable benefits	33,284[2]	12,409	168	1,850	1,869	-1.05
Annual bonuses	345,000[3]	0	n/a	1,386	126	90.91

1 Average salary excludes hourly paid employees due to the variability in the hours they work.
2 Mark Newton-Jones' taxable benefits are actual spend and include relocation, car allowance and medical.
3 Bonus is for a full year. The actual payment will be prorated for his start date.

Relative importance of spend on pay

The following table sets out the percentage change in dividends and overall spend on pay in FY2015 compared to FY2014.

	FY2015	FY2014	% change
Dividends	Nil	Nil	0
Employee remuneration	£80.5m	£77.8m	3.47

Employee remuneration taken from note 7 on page 106.

Auditable sections of the Annual Report on Remuneration

The auditable sections of the Annual Report on Remuneration are shown on pages 67 to 72 starting with the single total figure of remuneration for each Director concluding with the table of Directors' share interests.

Directors' remuneration policy

The Remuneration Policy Report sets out the remuneration policy for Executive Directors and has been prepared in accordance with the Regulations. The policy was developed taking into account the principles of the UK Corporate Governance Code 2012, and the latest guidelines from investor groups. The policy was approved by shareholders at the AGM in July 2014, the operating guidelines of the policy can be found later in this report.

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

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

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

Remuneration policy

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

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

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

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

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

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

Key elements of remuneration

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

Remuneration report
continued

Benefits	
Purpose and link to strategy	The Company offers competitive and cost-effective benefits to complement the base salary in line with those commonly offered by other similar companies as part of its policy to recruit and retain high calibre Executive Directors.
Operation of the component	Benefits offered include private medical insurance family cover, a car or cash allowance, life assurance and permanent health insurance. Cash alternatives are available to suit individual circumstances. Relocation and related benefits may be offered where a Director is required to relocate in line with Company policy.
Opportunity	The aim is to provide market competitive benefits and their value may vary from year to year depending on the cost to the Company from third party providers.
Performance metrics	No performance metrics apply.
Recovery or withholding	There is no recovery of general benefits but relocation and related benefits may be subject to repayment either in full or part if an executive resigns within two years of relocating.
Pension	
Purpose and link to strategy	The Company offers market competitive and cost effective retirement benefits to its Executive Directors in line with those commonly offered by other similar companies.
Operation of the component	The Company makes a payment into a defined contribution registered pension scheme or by way of cash supplement, or a combination of cash and pension contributions.
Opportunity	Executive Directors are eligible for a company contribution/cash supplement valued at 15% of base salary.
Performance metrics	No performance metrics apply.
Recovery or withholding	No recovery or withholding applies.
Annual bonus (cash and shares)	
Purpose and link to strategy	The purpose of the annual bonus (or short term incentive scheme) is to incentivise Executive Directors to achieve specific, pre-determined goals during a one-year period (typically a financial year) and to reward financial and individual performance that is linked to the Company's strategy. To preserve the alignment with shareholder interests, provide an element of retention, and protect against unacceptable behaviour or risk taking, a proportion of bonus is awarded in shares and deferred for three years.
Operation of the component	The Committee sets challenging targets at the start of the financial year to support the Company's strategy. The level of any bonus payment is determined by the Committee following the end of the relevant financial year by reference to the performance criteria. 70% of the bonus is payable in cash with the remaining 30% deferred into shares for three years. The deferred element is subject to forfeiture in the event of the Executive Director's voluntary departure prior to vesting; the deferred element may be subject to forfeiture if an Executive Director departs for other reasons. Dividend equivalents may accrue on vested deferred shares.
Opportunity	The maximum bonus entitlement for Executive Directors is 125% of base salary. At threshold levels of performance up to 25% of maximum bonus entitlement will be payable in respect of each performance metric. At target and stretch levels of performance up to 50% and 100% (respectively) of the maximum bonus entitlement will be payable in respect of each performance metric.

Performance metrics	The policy is for at least 70% of the bonus entitlement to be based on an appropriate mix of financial measures such as profit before tax, cash generation or net debt. No more than 30% of the bonus entitlement will be linked to non-financial measures that may include a business scorecard of measures, together with personal objectives relevant to the responsibilities of each Executive Director. The targets set in relation to non-financial performance will be similarly challenging to the range of financial targets set. The Committee reviews all targets annually to ensure that they support the agreed business strategy and financial measures for the relevant financial year. The Committee will not award any bonus unless at least a gateway level of financial performance has been achieved. The measures and targets which form the gateway will be determined by the Committee and will take account of the ability of the Company to make bonus payments (for example, by reference to Group profit performance). Further, the Committee may exercise its discretion to reduce the level of any bonus award if it considers that the payment of an award is inconsistent with the underlying performance of the Company.
Recovery or withholding	• No recovery or withholding applies to the cash element of the bonus once it has been paid. The Committee retains the discretion to reduce or withhold the vesting of the deferred bonus share award in exceptional circumstances (such as a material adverse adjustment to the accounts or fraud or gross misconduct on the part of the individual recipient). • The deferred bonus shares are subject to forfeiture in the event of the Executive Director's voluntary departure prior to vesting; the deferred element may be subject to forfeiture if the Executive Director departs for other reasons.
Long term incentives: LTIP	
Purpose and link to strategy	The purpose of providing Executive Directors with a long term incentive award is to reward performance in line with the Company's strategy, grow the business profitably to achieve superior long-term shareholder returns over the performance period and support recruitment and retention.
Operation of the component	Typically awards are granted annually early in the financial year with vesting dependent on the achievement of stretching performance conditions over a three or four year period. Although the performance periods are measured over a three or four year period, any shares which vest will be subject to a holding period, so that Executive Director participants do not receive shares until after the expiry of a five year period. The vesting of any awards will be subject to the Executive Director's continued employment at the time of vesting although they may vest early on a change of control or the occurrence of certain other corporate events in which case the proportion of awards vesting would be determined by the Committee, taking into account the level of satisfaction of the performance conditions and (at its discretion) pro rating the award by time. Participants may be entitled to dividend equivalents on unvested shares between the date of award and vesting and this is paid in additional shares in respect of awards that vest.
Opportunity	The normal policy maximum is 200% of salary for the Chief Executive and 175% of salary for the CFO. Up to 300% of salary may be awarded in circumstances considered by the Committee to be exceptional. This may include, for example, a first year award for a new Chief Executive Officer.
Performance metrics	The Committee has the discretion to set different performance conditions, including performance measures and weightings, for each year by way of future award. The Committee will review annually the appropriateness of the performance conditions and the targets to be set. The Committee has the discretion under the Rules to reduce the level of any vesting to take into account the underlying financial health of the Company and the level of shareholding achieved by the Executive Directors during the performance period. The Committee may link the vesting of awards to satisfaction of a shareholding requirement and may require post-vesting holding to apply. Whether, and the extent to which, this applies will be determined at the point of each award and communicated to participants.

Remuneration report
continued

Long term incentives: LTIP continued

Recovery or withholding	The Committee has the right to withhold or reduce the level of LTIP in certain circumstances including: • a material misstatement of the accounts; • inaccurate or misleading information resulting in the incorrect assessment of a performance target or incorrect award of plan shares; • fraud or gross misconduct of the participant.

All employee share plans

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

Share ownership policy

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

Notes to the policy table

1 The wording relating to Legacy LTIP awards, included in last year's policy report has been deleted. LTIP 1 is due to vest in March 2015, the targets were not met and therefore the award will lapse with no pay out. LTIP 2 vests in March 2016 and 2017, there are no Directors participating in this as they have left the business and therefore their awards were forfeited. The detail of other LTIPs is in the body of the report.
2 Choice of performance measures: The performance measures that are used for the annual bonus are a subset of the Company's key performance indicators. The targets are derived from the annual business plan, which in turn is linked to the corporate strategy.
3 Annual bonus – For financial year FY2016 70% of the bonus entitlement will be based on an appropriate mix of financial measures such as Group Profit before Tax (PBT). PBT measures the underlying profits generated by the business and whether management is converting growth into profits effectively. 30% of the bonus entitlement is based on non-financial measures that may include business and personal targets, which are linked to the corporate strategy (for example, customer satisfaction). No bonus will be payable unless at least a gateway level of financial performance has been achieved. The measures and targets which form the gateway will be determined by the Committee from year to year and may include measures such as profit before tax, and the ability of the Company to make a payment. Details of targets set for the previous financial year are set out in the Annual Report on Remuneration on page 68.
The wording relating to recovery or withholding has been aligned with the wording for LTIP, there is no change to the Committee's remit under the policy.
4 All employee share plans – Executive Directors were not eligible to participate in the CSOP in October 2014.
5 The Remuneration Committee has implemented a revised approach to the operation of malus and clawback as set out on pages 61 and 62 of the Annual Report on Remuneration.

Incentive plan discretions

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

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

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

Legacy arrangements

For the avoidance of doubt, in approving the Directors' remuneration policy, authority is given to the Company to honour any commitments that may have been entered into with current or former Directors that have been disclosed previously to shareholders.

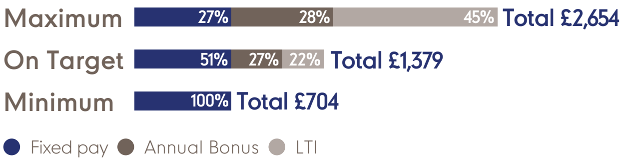
Remuneration scenarios for Executive Directors in FY2016

The Company's remuneration policy results in a significant proportion of the remuneration received by Executive Directors being dependent on Company performance. The charts below shows how total pay for the CEO and CFO vary under three different performance scenarios: Minimum, Target and Maximum:

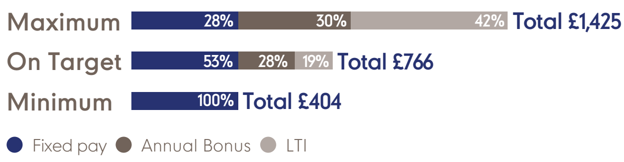
Minimum	Target	Maximum
• Comprises the fixed elements of pay, being base salary, benefits and pension. • The value of base salary and pension is calculated as at 1 April 2015. • The value of the benefits received is taken as the actual value for the year ended 28 March 2015.	• Comprises fixed pay (salary, benefits and pension) and 50% of the maximum annual bonus and 25% of the full LTIP award.	• Comprises fixed pay (salary, benefits and pension) and the maximum value of the bonus (CEO 125% of base salary, CFO 125% of base salary). • Normal policy awards under the LTIP with full vesting (CEO 200% of base salary, CFO 175% of base salary).

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

CEO Mark Newton-Jones (£000s)



CFO – Richard Smothers (£000s)



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

	Fixed (£000)				Short-Term Plan (£000)		Long-Term Plan (£000)	
	Base Salary	Benefits	Pension	Total Fixed	Target	Maximum	Target	Maximum
CEO	600	14	90	704	375	750	300	1,200
CFO	340	12	51	403	213	425	149	595

Chairman and non-executive directors

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

Fees for the Chairman

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

Fees for NEDs

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

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

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

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

Executive Directors' service contracts

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

The table below sets out the details of all service contracts with Executive and Non-Executive Directors.

Copies of the Executive Directors' service contracts and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office and will be available from 2.30pm on the day of the Annual General Meeting until the conclusion of the Annual General Meeting.

Director	Date of appointment	Notice period under contract
Executive Directors		
Mark Newton-Jones	17 July 2014	12 months from the Company and individual
Richard Smothers	23 March 2015	12 months from the Company and individual
Non-Executive Directors		
Alan Parker, Chairman	15 August 2011	6 months
Angela Brav	1 January 2013	1 month
Lee Ginsberg	2 July 2012	1 month
Amanda Mackenzie	1 January 2011	1 month
Richard Rivers	17 July 2008	1 month
Imelda Walsh	1 June 2013	1 month
Nick Wharton	14 November 2013	1 month

The Committee has agreed certain terms and policies that are to be included in its service contracts with Executive Directors:

- The period of notice for Directors will not exceed 12 months and, accordingly, the employment contracts of the Directors are terminable on 12 months' notice by either party.
- In the event of a Director's departure from the Company, and subject to the 'good leaver' provisions set out below, the Company's policy on termination payments is as follows:
  - No cash bonus will be awarded or paid (nor will any deferred shares be awarded) following notice of termination (either by the employee or Company)
  - Any unvested annual bonus deferred shares will lapse on cessation of employment
  - Any unvested LTIP awards shall lapse on cessation of employment; LTIP awards that have vested may be retained and may be subject to clawback
  - The Company may pay basic salary and the fair value of other benefits in lieu of notice for the duration of the notice period. The instalments may cease or be reduced proportionally if the Director accepts alternative employment that starts before the end of the notice period.
- The Committee has a concept of a 'good leaver' in the event of termination of employment by reason of ill-health, permanent disability, statutory redundancy, agreed retirement, sale of employing company or business out of the Group or at the discretion of the Committee. If the Executive Director in question is a good leaver then the Committee may exercise its discretion such that:
  - a performance-related bonus will be paid at the normal time and this will be time pro-rated based on the proportion of the bonus year for which the individual was employed; the bonus may be paid wholly in cash, or part cash and part shares
  - unvested deferred shares will vest, normally with immediate effect and in full
  - the individual will receive a pro-rated proportion of outstanding LTIP awards (which will be subject to clawback for awards made from FY2016 onwards) which can be exercised up to six months (or such longer period as the Committee permits and up to 12 months in the case of death) after the performance period ends and provided that the relevant performance criteria are met for vesting. Exceptionally, the Committee may decide to release the LTIP shares, following cessation of employment but subject to the Committee's assessment of performance, which can be exercised in the six months after the leaving date (or such longer period as the Committee permits and up to 12 months in the case of death) and/or to allow a greater number of shares to vest than if the level of vesting was calculated on a pro-rata basis.

The Committee, in determining the extent to which these shares should vest, will consider all of the facts of the executive's departure, including their performance and the extent to which their departure is at the instigation of the Company.

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

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

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

Remuneration policy across the Group

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

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

Recruitment policy

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

The remuneration package for a new Director will therefore be set in accordance with the Company's approved remuneration policy as set out on pages 72 to 81 of the Directors' Remuneration Report, subject to such modifications as are described below. The maximum level of variable remuneration (excluding any buyout arrangements) that may be offered on an annual basis to a new Director will be in accordance with the limits as set out in the Policy Table, normally being 125% of salary in the annual bonus plan and up to 200% of salary in the long-term incentive plan, but with regard to the long-term incentive up to 300% may be awarded in exceptional circumstances.

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

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

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

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

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

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

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

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

Consideration of shareholder views

The Committee engages pro-actively with the Company's major shareholders. For example, when any material changes are made to the remuneration policy, the Committee Chair will consult with major shareholders in advance. During the financial year in question the Chair consulted with the main shareholder advisory bodies, the Investment Association and ISS/RREV, and our major shareholders to discuss with them the proposed changes to the LTIP awards made in December 2014. We have also consulted with IMA, ISS/RREV and our major shareholders with regard to the LTIP awards to be made following the announcement of the Company's preliminary results.

Consideration of employment conditions elsewhere in the Company

In setting the remuneration of the Executive Directors, the Committee takes into account the overall approach to reward for employees in the Group. Mothercare operates in a number of different territories and has employees who carry out diverse roles across a number of countries. All employees, including senior managers, are paid by reference to the local market rate and base salary levels are reviewed regularly. When considering salary increases for Directors, the Company will be sensitive to pay and employment conditions across the wider workforce. The Committee receives an update on UK Retail pay and conditions annually and the budget for retail pay is discussed at the full Board. The Committee will continue to monitor the progress of retail pay versus that of senior management. The Committee does not formally consult with employees on the executive remuneration policy. The Company does hold an annual employee engagement survey and the Committee is kept informed of pay and conditions applying to the general employee population across the Group.

Approval

This report was approved by the Board of Directors on 20 May 2015 and signed on its behalf by:

Imelda Walsh
Chair, Remuneration Committee

Financial statements

Contents

83 Directors' responsibilities statement

84 Independent auditor's report to the members of Mothercare plc

89 Consolidated income statement

90 Consolidated statement of comprehensive income

91 Consolidated balance sheet

92 Consolidated statement of changes in equity

93 Consolidated cash flow statement

94 Notes to the consolidated financial statements

Company financial statements

133 Company balance sheet

134 Notes to the Company financial statements

137 Five year record

138 Shareholder information

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and gives shareholders the information needed to assess the Group's performance, business model and strategy.

By order of the Board on 20 May 2015 and signed on its behalf by:

Mark Newton-Jones
Chief Executive Officer

Richard Smothers
Chief Financial Officer

Independent auditor's report to the members of Mothercare plc

Opinion on financial statements of Mothercare plc
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 28 March 2015 and of the Group's loss for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income/expense, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 31. The financial statements also comprise the parent company balance sheet and related notes 1 to 8. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern
As required by the Listing Rules we have reviewed the Directors' statement on page 44 that the Group is a going concern.

We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

The Audit and Risk Committee has requested that while not required under International Standards on Auditing (UK and Ireland), we include in our report any significant findings in respect of these assessed risks of material misstatement.

Risk	How the scope of our audit responded to the risk	Findings
Classification and presentation of exceptional items The presentation and consistency of costs and income within exceptional items is a key determinant in the assessment of the quality of the group's underlying earnings. Management judgement is required in determining whether an item of cost is exceptional. For the 52 weeks ended 28 March 2015, the Group incurred exceptional costs of £32.0 million. Refer to notes 2, 3 and 6 for further information and details of the exceptional items in the period.	We reviewed the nature of exceptional items, challenged management's judgements in this area and agreed the quantification to supporting documentation. We assessed whether the items are in line with both the Group's accounting policy and the guidance issued by the Financial Reporting Council last year. We considered whether management's application of the policy is consistent with previous accounting periods, including whether the reversal of any items originally recognised as exceptional has been appropriately recorded within exceptional items. We also assessed whether the disclosures within the financial statements provide sufficient detail for the reader to understand the nature of these items.	We are satisfied that the amounts classified as exceptional items are reasonable in all material respects and the related disclosure of these items in the financial statements is appropriate.
Recognition of supplier funding income There is management judgement involved in the timing, recognition and calculation of supplier funding income, requiring both a detailed understanding of the contractual arrangements themselves as well as complete and accurate source data to apply the arrangements to. The Group's supplier funding income mainly relates to early settlement discounts on certain product lines, promotional funding and volume based rebates. Further information is included in note 2.	We assessed the design and implementation of controls over the recording of supplier rebate income. We circularised a sample of suppliers to test whether the arrangements recorded are accurate and complete and also interviewed buyers to supplement our understanding of the contractual arrangements. We tested the completeness and accuracy of the inputs for recording supplier funding by agreement to supporting evidence, including volume data and promotion dates.	We are satisfied that the accuracy, completeness and timing of recognition of supplier funding income is appropriate in all material respects, being recorded in a manner consistent with the Group's policy and the substance of the supplier contracts held. We consider the disclosure given around supplier funding to provide an accurate understanding of the types of rebate income received and the impact on the balance sheet as at 28 March 2015.

Independent auditor's report to the members of Mothercare plc continued

Risk	How the scope of our audit responded to the risk	Findings
Valuation of the Group's property provisions The Group maintains property provisions in respect of store closures and onerous leases (£42.8 million). Management judgement is involved in calculating the provisions, which are management's best estimates based on the expected future costs to exit those stores. Further information is included in notes 3 and 23.	We have challenged management's assumptions in arriving at the property provisions. We have verified the inputs used to calculate the provisions and agreed them to supporting documentation. We have reviewed the correspondence with the Group's independent property advisors to assess whether these experts' views have been reflected within the provision calculations. We have also assessed the past accuracy of the provision.	We are satisfied that the assumptions used by management in calculating the Group's property provisions are acceptable and the methodology applied is appropriate in all material respects.
Accuracy of the inventory obsolescence provision Management's calculation of the inventory obsolescence provision of £3.7 million (£4.8 million including the shrinkage provision) against a gross inventory balance of £92.5 million requires judgement in estimating the level of demand for the individual products. Further information is included in notes 3 and 17.	We have confirmed that the book value of inventories does not exceed their net realisable value by comparing the actual sales value to the book value for a sample of lines. We have challenged the assumptions used in arriving at management's inventory provision. Specifically we have checked the discontinued dates of those relevant inventory lines to assess whether they have been aged correctly. We have also reviewed the actual and forecast sales of those provisioned inventory lines to check that the provision percentage applied is still appropriate. We have also assessed the past accuracy of the provision.	We are satisfied that the provision calculation for the obsolescence of inventory is within the acceptable range, and the methodology applied is appropriate in all material respects.
Recoverability of joint venture investments and receivables from these parties Management judgement is required in determining the appropriate level of provision to be held in respect of non-recoverable receivables from joint ventures and in assessing what the key assumptions are in determining the carrying value of investments. At the year end, the Group held gross trade receivables of £4.9 million (net of £1.0 million provision) and investments of £7.3 million. Refer to notes 13 and 30 for details of these balances.	We challenged the forecasts and growth assumptions used in management's impairment models for the joint venture investments, including an assessment of the projected cash flows, discount rates and perpetuity growth rates. We checked the recoverability of amounts receivable by agreement to subsequent cash receipts.	We are satisfied that the assumptions used in the impairment models for the joint venture investments and the calculation of the joint venture bad debt provision is acceptable and that the methodology applied is appropriate in all material respects.

Last year our report included two other risks which are not included in our report this year: going concern, liquidity and covenant headroom and the impairment of store related fixed assets.

During the year the Group received £93.7 million of funds (net of expenses) from a rights issue, allowing the group to improve its net cash and covenant position. Going concern is no longer considered to be a material risk to the Group financial statements.

The impairment of store related fixed assets is no longer considered to be a material risk to the Group financial statements.

The description of risks above should be read in conjunction with the significant issues considered by the Audit and Risk Committee discussed on page 50.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £1.8 million (2014: £1.8 million), applying professional judgement and taking into account the profitability of the International segment and the loss making position of the UK segment, before exceptional items. These are excluded due to their volatility, which is consistent with the Group's internal and external reporting to facilitate a better understanding of the underlying trading performance.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £90,000 (2014: £90,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We also reported to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope on the UK trading companies (including both the UK and International operating segments) and the Group's sourcing operations in Hong Kong and India, all of which were subject to a full scope audit for the 52 weeks ended 28 March 2015. These locations represent the principal business units of the group and account for 100% (2014: 100%) of the Group's revenue and 98% (2014: 95%) of the Group's profit before tax. The locations were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

Our audit work at these locations was executed at levels of materiality applicable to each individual location which were lower than Group materiality and ranged from 3% to 80% of Group materiality.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team is directly involved in the audit of the UK trading companies. The component audit teams in Hong Kong and India participated in the Group audit planning process. We discussed their risk assessment and issued the component audit teams with audit referral instructions. We have held discussions with the component audit teams and reviewed documentation of the findings from their work.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Independent auditor's report to the members of Mothercare plc continued

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Ian Waller

Ian Waller (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
20 May 2015

Consolidated income statement
For the 52 weeks ended 28 March 2015

		52 weeks ended 28 March 2015			52 weeks ended 29 March 2014		
	Note	Underlying[1] £ million	Non-underlying[2] £ million	Total £ million	Underlying[1] £ million	Non-underlying[2] £ million	Total £ million
Revenue	4, 5	**713.9**	**–**	**713.9**	724.9	–	724.9
Cost of sales		**(658.8)**	**2.5**	**(656.3)**	(680.2)	(14.7)	(694.9)
Gross profit		**55.1**	**2.5**	**57.6**	44.7	(14.7)	30.0
Administrative expenses		**(36.9)**	**(0.9)**	**(37.8)**	(28.2)	(9.5)	(37.7)
Profit/(loss) from retail operations	7	**18.2**	**1.6**	**19.8**	16.5	(24.2)	(7.7)
Other exceptional items	6	**–**	**(26.2)**	**(26.2)**	–	(10.8)	(10.8)
Share of results of joint ventures	13	**(0.2)**	**–**	**(0.2)**	(0.6)	–	(0.6)
Profit/(loss) from operations		**18.0**	**(24.6)**	**(6.6)**	15.9	(35.0)	(19.1)
Net finance costs	8	**(5.0)**	**(1.5)**	**(6.5)**	(6.4)	(0.8)	(7.2)
Profit/(loss) before taxation		**13.0**	**(26.1)**	**(13.1)**	9.5	(35.8)	(26.3)
Taxation	9	**(2.5)**	**0.2**	**(2.3)**	(2.7)	1.5	(1.2)
Profit/(loss) for the period attributable to equity holders of the parent		**10.5**	**(25.9)**	**(15.4)**	6.8	(34.3)	(27.5)
(Loss)/earnings per share							
Basic	11	**8.6p**		**(12.6p)**	7.7p		(31.0p)
Diluted	11	**8.3p**		**(12.6p)**	7.6p		(31.0p)

1 Before items described in footnote 2 below.
2 Includes exceptional items (restructuring costs, impairment charges and property related costs) and other non-underlying items of amortisation of intangible assets (excluding software) and the impact of non-cash foreign currency adjustments under IAS 39 and IAS 21 as set out in note 6 to the consolidated financial statements.

All results relate to continuing operations.

Consolidated statement of comprehensive income/(expense)
For the 52 weeks ended 28 March 2015

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Loss for the period	**(15.4)**	(27.5)
Items that will not be reclassified subsequently to the income statement:		
Remeasurement of net defined benefit liability – actuarial (loss)/gain on defined benefit pension schemes	**(34.4)**	9.5
Income tax relating to items not reclassified	**7.0**	(4.5)
	(27.4)	5.0
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**1.6**	(1.3)
Cash flow hedges: gains/(losses) arising in the period	**13.3**	(0.1)
Deferred tax on cash flow hedges	**(1.7)**	–
	13.2	(1.4)
Other comprehensive (expense)/income for the period	**(14.2)**	3.6
Total comprehensive expense for the period wholly attributable to equity holders of the parent	**(29.6)**	(23.9)

Consolidated balance sheet
As at 28 March 2015

	Note	28 March 2015 £ million	29 March 2014 £ million
Non-current assets			
Goodwill	14	**26.8**	26.8
Intangible assets	14	**19.1**	17.4
Property, plant and equipment	15	**56.4**	59.6
Investments in joint ventures	13	**7.3**	7.7
Deferred tax asset	16	**23.6**	18.5
		133.2	130.0
Current assets			
Inventories	17	**87.7**	93.1
Trade and other receivables	18	**69.4**	59.8
Derivative financial instruments	21	**9.3**	–
Cash and cash equivalents	19	**31.5**	17.3
		197.9	170.2
Total assets		**331.1**	300.2
Current liabilities			
Trade and other payables	22	**(107.0)**	(106.0)
Borrowings	20	**–**	(27.6)
Current tax liabilities		**(0.3)**	(0.4)
Derivative financial instruments	21	**–**	(6.6)
Short-term provisions	23	**(26.5)**	(17.4)
		(133.8)	(158.0)
Non-current liabilities			
Trade and other payables	22	**(20.4)**	(24.1)
Borrowings	20	**–**	(36.2)
Retirement benefit obligations	29	**(81.2)**	(49.7)
Long-term provisions	23	**(18.0)**	(17.0)
		(119.6)	(127.0)
Total liabilities		**(253.4)**	(285.0)
Net assets		**77.7**	15.2
Equity attributable to equity holders of the parent			
Share capital	24	**85.2**	44.4
Share premium account		**60.8**	6.3
Own shares	24	**(0.4)**	(0.4)
Translation reserve	25	**0.9**	(0.7)
Hedging reserve	25	**6.8**	(0.4)
Retained deficit		**(75.6)**	(34.0)
Total equity		**77.7**	15.2

Approved by the Board and authorised for issue on 20 May 2015 and signed on its behalf by:

Richard Smothers
Chief Financial Officer

Consolidated statement of changes in equity
For the 52 weeks ended 28 March 2015

	Equity attributable to equity holders of the parent							
	Share capital £ million	Share premium account £ million	Other reserve[1] £ million	Own shares £ million	Translation reserve £ million	Hedging reserve £ million	Retained earnings £ million	**Total equity £ million**
Balance at 30 March 2014	44.4	6.3	–	(0.4)	(0.7)	(0.4)	(34.0)	15.2
Other comprehensive expense for the period	–	–	–	–	1.6	11.6	(27.4)	(14.2)
Loss for thet period	–	–	–	–	–	–	(15.4)	(15.4)
Total comprehensive income/ (expense) for the period	–	–	–	–	1.6	11.6	(42.8)	(29.6)
Removal from equity to inventories during the period	–	–	–	–	–	(4.4)	–	(4.4)
Issue of equity shares	40.8	54.5	–	–	–	–	–	95.3
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	1.2	1.2
Balance at 28 March 2015	**85.2**	**60.8**	**–**	**(0.4)**	**0.9**	**6.8**	**(75.6)**	**77.7**

For the 52 weeks ended 29 March 2014

	Equity attributable to equity holders of the parent							
	Share capital £ million	Share premium account £ million	Other reserve[1] £ million	Own shares £ million	Translation reserve £ million	Hedging reserve £ million	Retained earnings £ million	**Total equity £ million**
Balance at 31 March 2013	44.3	6.2	6.2	(0.6)	0.6	(0.3)	(17.6)	38.8
Other comprehensive income for the period	–	–	–	–	(1.3)	(0.1)	5.0	3.6
Loss for the period	–	–	–	–	–	–	(27.5)	(27.5)
Total comprehensive income/ (expense) for the period	–	–	–	–	(1.3)	(0.1)	(22.5)	(23.9)
Transfer between reserves	–	–	(6.2)	–	–	–	6.2	–
Issue of equity shares	0.1	0.1	–	–	–	–	–	0.2
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	0.1	0.1
Shares transferred to employees on vesting	–	–	–	0.2	–	–	(0.2)	–
Balance at 29 March 2014	**44.4**	**6.3**	**–**	**(0.4)**	**(0.7)**	**(0.4)**	**(34.0)**	**15.2**

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

Consolidated cash flow statement
For the 52 weeks ended 28 March 2015

	Note	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Net cash flow from operating activities	26	**(1.1)**	4.0
Cash flows from investing activities			
Purchase of property, plant and equipment		**(6.5)**	(7.9)
Purchase of intangibles – software		**(6.2)**	(3.0)
Investments in joint ventures and associates		**–**	(2.9)
Net cash used in investing activities		**(12.7)**	(13.8)
Cash flows from financing activities			
Interest paid		**(2.7)**	(2.7)
Facility fees paid		**(1.1)**	(1.4)
Bank loans (paid)/raised		**(65.0)**	15.0
Issue of ordinary share capital		**95.3**	0.2
Net cash raised in financing activities		**26.5**	11.1
Net increase in cash and cash equivalents		**12.7**	1.3
Cash and cash equivalents at beginning of period		**17.3**	17.6
Effect of foreign exchange rate changes		**1.5**	(1.6)
Net cash and cash equivalents at end of period	26	**31.5**	17.3

Notes to the consolidated financial statements

1. General information

Mothercare plc is a company incorporated in Great Britain under the Companies Act 2006. The address of the registered office is given in the shareholder information on page 138. The nature of the Group's operations and its principal activities are set out in note 5 and in the Chief Executive's review on pages 4 to 9.

These financial statements are presented in UK pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

2. Significant accounting policies

Basis of presentation

The Group's accounting period covers the 52 weeks ended 28 March 2015. The comparative period covered the 52 weeks ended 29 March 2014.

Basis of accounting

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') adopted for use in the European Union, International Financial Reporting Interpretations Committee ('IFRIC') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They therefore comply with Article 4 of the EU IAS Regulation.

New standards not affecting the reported results nor the financial position

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements.

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11, 'Joint arrangements', focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement and are accounted for under the equity method.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

New Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU).

- IFRIC 21 'Levies'
- IFRS 9 'Financial Instruments'
- IFRS 14 'Regulatory Deferral Accounts'
- IFRS 15 'Revenue from Contracts with Customers'
- Annual improvements to IFRSs: 2012 – 2014 Cycle
- Annual Improvements to IFRSs: 2011 – 2013 Cycle
- Annual Improvements to IFRSs: 2010 – 2012 Cycle
- Amendments to IAS 1 'Presentation of financial statements'
- Amendments to IAS 16 'Property, plant and equipment'
- Amendments to IAS 19 (Nov 2013) 'Defined Benefit Plans: Employee contributions'
- Amendments to IAS 28 'Investments in associates and joint ventures'
- Amendments to IAS 38 'Intangible assets'
- Amendments to IFRS 10, IFRS12, and IAS 27 'Investment entities'
- Amendments to IFRS 11 'Joint arrangements.

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the Group's financial statements when the relevant standards come into effect.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments, and on the going concern basis, as described in the going concern statement in the corporate governance report on page 33. The principal accounting policies are set out below.

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 28 March 2015. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

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

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

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the group in exchange. Acquisition related costs are recognised in profit and loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) 'Business combinations' are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell and deferred tax assets or liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income taxes and IAS 19 Employee Benefits respectively.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

Goodwill

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

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has passed. Sales to international franchise partners are recognised when the significant risks and rewards of ownership have transferred, which is on dispatch.

Royalty revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the group and the amount of revenue can be measured reliably). Royalty arrangements that are based on sales and other measures are recognised by reference to the underlying arrangement.

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.

Notes to the consolidated financial statements
continued

2. Significant accounting policies continued

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 prior to adopting IAS 39, hedge accounting for new contracts from 5 January 2014.

Supplier funding income

The Company receives income from its suppliers, mainly in the form of early settlement discounts and volume based rebates. They are recognised as a reduction in cost of sales in the year to which they relate. At the period end the Group is sometimes required to estimate supplier income due from annual agreements for volume rebates. The Group also receives promotional contributions which are recognised when the promotional period it relates to has ended. Promotional income is recognised as a deduction to cost of sales.

Included in the balance sheet are amounts receivable of £0.4 million in respect of supplier funding income, comprising £1.3 million of settlement discounts invoiced but not yet settled and £0.3 million of promotional contributions earned but not yet invoiced, netted against a £1.2 million of deferred rebate income on stock not yet sold.

Underlying earnings

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

As the Group has chosen to present an alternative earnings per share measure, a reconciliation of this alternative measure to the statutory measure required by IFRS is given in note 11.

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

The adjustments made to reported results are as follows:

Exceptional items

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

Non-cash foreign currency adjustments

Prior to 5 January 2014 the Group did not adopt hedge accounting under IAS 39 'Financial Instruments: Recognition and Measurement'. The effect of not applying hedge accounting under IAS 39 for this period means that the reported results for the first 40 weeks of the period ended 29 March 2014 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 taken out before this date at a reporting period end was 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 was reflected in the cash flows of the Group, which was based on the hedged rate. In addition, foreign currency monetary assets and liabilities are revalued to the closing balance sheet rate under IAS 21 'The Effects of Changes in Foreign Exchange Rates'. Since January 2014 hedge accounting has been adopted. The adjustment made by the Group therefore is to report its underlying performance consistently with the cash flows, reflecting the economic hedging which is in place.

Amortisation of intangible assets

The balance sheet includes identifiable intangible assets which arose on the acquisition of the Early Learning Centre and Blooming Marvellous and are amortised on a straight-line basis over their expected economic lives. The average estimated useful life of the assets is as follows:

Trade name	– 20 years
Customer relationships	– 10 years

The amortisation of these intangible assets does not reflect the underlying performance of the business.

Unwinding of discount on exceptional provisions
Where property provisions are charged to exceptional items, the associated unwinding of the discount on these provisions is classified as non-underlying.

Joint ventures
Joint ventures are accounted for using the equity method whereby the interest in the joint venture is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets less any impairment in the value of individual investments. The profit or loss of the Group includes the Group's share of the profit or loss of the joint ventures.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment.

Where a Group entity transacts with a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate or joint venture.

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

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the term of the leases.

The Group as lessee
Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised.

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

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

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

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement.

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

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

Notes to the consolidated financial statements
continued

2. Significant accounting policies continued

Hedge accounting

The Group designates its interest rate swaps and from January 2014 its forward currency contracts taken out after this date as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Changes in the fair value of financial instruments designated as effective are recognised in the comprehensive income statement and any ineffective portion is recognised immediately in the income statement. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit and loss in the periods when the hedged item is recognised in profit or loss in the same line of the income statement as the recognised hedged item. Movements in the hedging reserve in equity are detailed in note 25.

Retirement benefit costs

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

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

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

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

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

Taxation

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

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

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

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

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

Intangible assets – software

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that an asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Inventories

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

Financial instruments

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

Trade receivables

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

Cash and cash equivalents

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

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

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

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

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

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

Derivative financial instruments
The Group uses forward foreign currency contracts to mitigate the transactional impact of foreign currencies on the Group's performance and interest rate swaps to mitigate the risk of movements in interest rates. The Group's financial risk management policy prohibits the use of derivative financial instruments for speculative or trading purposes and the Group does not therefore hold or issue any such instruments for such purposes.

Forward foreign currency contracts are recognised initially at fair value, which is updated at each balance sheet date. Changes in the fair values are recognised either in the income statement or through reserves depending on whether the contract is designated as a hedging instrument.

Derivative financial instruments that are economic hedges that do not meet the strict IAS 39 'Financial Instruments: Recognition and Measurement' hedge accounting rules are accounted for as financial assets or liabilities at fair value through profit or loss and hedge accounting is not applied.

The interest rate swaps and forward contracts taken out post 5 January 2014 in place are considered an effective cashflow hedge and are accounted for by recognising the gain/loss on the hedge through reserves rather than the income statement, removing volatility within the income statement.

Embedded derivatives
Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

Market risk
The Group is exposed to market risk, primarily related to foreign exchange and interest rates. The Group's objective is to reduce, where it deems appropriate to do so, fluctuations in earnings and cash flows associated with changes in interest rates, foreign currency rates and of the currency exposure of certain net investments in foreign subsidiaries. It is the Group's policy and practice to use derivative financial instruments to manage exposures of fluctuations on exchange rates. The Group only sells existing assets or enters into transactions and future transactions (in the case of anticipatory hedges) that it confidently expects it will have in the future, based on past experience. The Group expects that any loss in value for these instruments generally would be offset by increases in the value of the underlying transactions.

Foreign exchange rate risk
Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Group uses UK pounds sterling as its reporting currency. As a result, the Group is exposed to foreign exchange rate risk on financial assets and liabilities that are denominated in a currency other than UK sterling, primarily in US dollars and Hong Kong dollars.

Consequently, it enters into various contracts that reflect the changes in the value of foreign exchange rates to preserve the value of assets, commitments and anticipated transactions. The Group also uses forward contracts and options, primarily in US dollars and Russian roubles.

Interest rate risk
Prior to the repayment of the term loan and revolving credit facility the group had drawn down on a borrowing facility.

During the year the Group has negotiated a new revolving credit facility, which as at 28 March 2015 has not had any amounts drawn down on it. However, should the Group draw down on this facility in the future, the Group would incur interest rate risk again.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required

to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Share-based payments

The Group has applied the requirements of IFRS 2 'Share-based Payments'.

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

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

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date, with any changes in fair value recognised in the profit or loss for the year.

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

Onerous leases

Present obligations arising out of onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

3. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

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

Retirement benefits

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

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

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

Pension and other post-retirement benefits are inherently long-term and future experience may differ from the actuarial assumptions used to determine the net charge for 'pension and other post-retirement charges'. Note 29 to the consolidated financial statements describes the principal discount rate, inflation 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 28 March 2015, the Group's pension liability was £81.2 million (2014: £49.7 million). Further details of the accounting policy on retirement benefits are provided in note 2.

Notes to the consolidated financial statements
continued

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

Impairment of stores' property, plant and equipment

Stores' property, plant and equipment (see note 15) are reviewed for impairment on a periodic basis, and whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Such circumstances or events could include: a pattern of losses involving the fixed asset; a decline in the market value for a particular store asset; and an adverse change in the business or market in which the store asset is involved. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining what cash flow is directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any. Estimates of future cash flows and the selection of appropriate discount rates relating to particular assets or groups of assets involve the exercise of a significant amount of judgement.

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the group to estimate future cash flows expected to arise from the cash-generating unit a suitable long-term growth rate and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £26.8 million (2014: £26.8 million).

Property provisions

Descriptions of the provisions held at the balance sheet date are given in note 23. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. Any differences between expectations and the actual future liability are accounted for in the period when such determination is made.

Onerous leases

Provision has been made in respect of leasehold properties for vacant, partly let and loss making trading stores and costs relating to Early Learning Centre's supply chain warehouse, for the shorter of the remaining period of the lease and the period until, in the directors' opinion, they will be able to exit the lease commitment. The amount provided is based on the future rental obligations together with other fixed outgoings, net of any sub-lease income and in the case of trading stores the expected future shortfall in contribution to cover the fixed outgoings. In determining the provision, the cash flows have been discounted on a pre-tax basis using a risk free rate of return. Significant assumptions are used in making these calculations and changes in assumptions and future events could cause the value of these provisions to change.

Allowances against the carrying value of inventory

The Group reviews the market value of and demand for its inventories on a periodic basis to ensure that recorded inventory is stated at the lower of cost and net realisable value. In assessing the ultimate realisation of inventories, the Group is required to make judgements as to future demand requirements and to compare these with current inventory levels. Factors that could impact estimated demand and selling prices are timing and success of product ranges (see note 17).

Allowances against the carrying value of trade receivables

Using information available at the balance sheet date, the Group reviews its trade receivable balances and makes judgements based on an assessment of past experience, debt ageing and known customer circumstance in order to determine the appropriate level of allowance required to account for potential irrecoverable trade receivables (see note 18).

Allowances against the carrying value of investments in joint ventures

The Group reviews the recoverable amount of its investments on a periodic basis. If the recoverable amount is lower than the carrying value the asset is impaired (see note 13).

4. Revenue

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

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Total revenue	**713.9**	724.9

5. Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reported to the group's board in order to allocate resources to the segments and assess their performance. The Group's reporting segments under IFRS 8 are UK and International.

UK comprises the Group's UK store and wholesale operations, catalogue and web sales. The International business comprises the Group's franchise and wholesale revenues outside the UK. The unallocated corporate expenses represent board and company secretarial costs and other head office costs including audit, professional fees, insurance and head office property.

	52 weeks ended 28 March 2015			
	UK £ million	**International £ million**	**Unallocated corporate expenses £ million**	**Consolidated £ million**
Revenue				
External sales	**458.1**	**255.8**	**–**	**713.9**
Result				
Segment result (underlying)	**(18.0)**	**45.9**	**(8.6)**	**19.3**
Share-based payments				**(1.3)**
Non-cash foreign currency adjustments (non-underlying)				**6.9**
Amortisation of intangible assets (non-underlying)				**(1.0)**
Exceptional items (note 6)				**(30.5)**
Loss from operations				**(6.6)**
Net finance costs (including £1.5 million non-underlying)				**(6.5)**
Loss before taxation				**(13.1)**
Taxation				**(2.3)**
Loss for the period				**(15.4)**

	52 weeks ended 29 March 2014			
	UK £ million	International £ million	Unallocated corporate expenses £ million	Consolidated £ million
Revenue				
External sales	462.3	262.6	–	724.9
Result				
Segment result (underlying)	(21.5)	45.3	(7.8)	16.0
Share-based payments				(0.1)
Non-cash foreign currency adjustments (non-underlying)				(14.9)
Amortisation of intangible assets (non-underlying)				(1.0)
Exceptional items (note 6)				(19.1)
Loss from operations				(19.1)
Net finance costs (including £0.8 million non-underlying)				(7.2)
Loss before taxation				(26.3)
Taxation				(1.2)
Loss for the period				(27.5)

Revenues are attributed to countries on the basis of the customer's location. The largest International customer represents approximately 18.5% (2014: 17.0%) of Group sales.

Notes to the consolidated financial statements
continued

5. Segmental information continued

	52 weeks ended 28 March 2015		
	UK £ million	International £ million	Consolidated £ million
Other information			
Capital additions	12.1	5.1	17.2
Depreciation and amortisation	13.4	4.3	17.7
Balance sheet			
Assets			
Segment assets	161.5	105.2	266.7
Unallocated corporate assets			64.4
Consolidated total assets			331.1
Liabilities			
Segment liabilities	167.6	4.3	171.9
Unallocated corporate liabilities			81.5
Consolidated total liabilities			253.4

In addition to the depreciation and amortisation reported above, impairment losses of £1.0 million (2014: impairment losses of £3.6 million) were recognised in respect of property, plant and equipment. These impairment losses were attributable to the UK segment. A £4.8 million credit for the reduction in store impairment within plant and equipment is included within non-underlying administrative expenses and a £5.8 million charge is included within exceptional property costs.

	52 weeks ended 29 March 2014		
	UK £ million	International £ million	Consolidated £ million
Other information			
Capital additions	9.5	2.7	12.2
Depreciation and amortisation	15.7	4.6	20.3
Balance sheet			
Assets			
Segment assets	167.7	96.6	264.3
Unallocated corporate assets			35.9
Consolidated total assets			300.2
Liabilities			
Segment liabilities	162.0	2.5	164.5
Unallocated corporate liabilities			120.5
Consolidated total liabilities			285.0

Corporate assets not allocated to UK or International represent current tax assets/liabilities, deferred tax assets/liabilities, cash at bank and in hand, currency derivative assets/liabilities, borrowings and retirement benefit obligations.

6. Exceptional and other non-underlying items

Due to their significance or one-off nature, certain items have been classified as exceptional or non-underlying as follows:

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Exceptional items:		
Restructuring costs in cost of sales	**(3.4)**	1.2
Restructuring costs included in administrative expenses	**(5.7)**	(6.8)
Store property, plant and equipment impairment included in administrative expenses	**4.8**	(2.7)
Property related costs in other exceptional items	**(25.9)**	(8.2)
Impairment of investment in joint venture in other exceptional items	**(0.3)**	(2.6)
Restructuring costs included in finance costs	**(1.5)**	(0.8)
Total exceptional items:	**(32.0)**	(19.9)
Other non-underlying items:		
Non-cash foreign currency adjustments under IAS 39 and IAS 21[1]	**6.9**	(14.9)
Amortisation of intangibles[1]	**(1.0)**	(1.0)
Exceptional and other non-underlying items	**(26.1)**	(35.8)

1 Included in non-underlying cost of sales is a credit of £5.9 million (2014: charge of £15.9 million).

Restructuring costs in cost of sales

During the 52 weeks ended 28 March 2015 a charge of £3.4 million was recognised relating to store restructuring and disruption costs relating to a major supplier of distribution going into administration. In 52 weeks ended 29 March 2014 the credit of £1.2 million was for a refund relating to the rationalisation of the group's online warehousing operations.

Restructuring costs in administrative expenses

During the 52 weeks ended 28 March 2015 a charge of £5.7 million (2014: £6.8 million) was recognised relating to head office restructuring, implementation costs, indirect professional fee associated with the rights issue, recruitment and relocation costs. In 2015 this related to the strategic review following the rights issue. Other exceptional costs have been incurred in relation to legal and other costs related to the new banking agreement.

Store property, plant and equipment impairment included in administrative expenses

During the 52 weeks ended 28 March 2015 the provision for store impairment where the carrying value of property plant and equipment is higher than the net realisable value and value in use has been reduced by £4.8 million (2014: £2.7 million increase). This is mainly driven by better trading of stores due for refurbishment and earlier closure of stores as announced in the rights issue.

Property related costs

Provisions of £25.9 million (2014: £8.2 million) have been made for onerous leases and losses on disposal/termination of property interests. The onerous lease relates to vacant, sublet and trading properties having taken into consideration the results for the year and future years' projections, provisions have been recognised where there is an expected shortfall in the store contribution to cover the fixed rental obligations. A discount rate of 1.50% has been used in calculating the provision, being the risk free rate. The losses on disposals relate to the store reduction programmes announced as part of the rights issue in October 2014.

Impairment of joint venture investment

The Group owned a 30% share in Rhea Retail Private Limited and Juno Retail Private Limited which were joint ventures that traded in India. The Group has made a provision of £0.3 million against these investments to reflect the proceeds of the sale which completed on 8 May 2015 and to cover legal costs to sell.

Restructuring costs included in net finance costs

A renegotiation of new banking facilities was signed on 22 October 2014 and a charge of £1.5 million for the write off of the previous unamortised facility charge was recognised in the 52 weeks ended 28 March 2015.

Notes to the consolidated financial statements
continued

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

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Net total foreign exchange (gains)/losses	**(12.1)**	10.0
Cost of inventories recognised as an expense	**449.4**	460.2
(Release)/write down of inventories to net realisable value	**(1.4)**	(0.4)
Depreciation of property, plant and equipment	**13.1**	14.7
Amortisation of intangible assets – software	**3.6**	4.6
Amortisation of intangible assets – other included in non-underlying cost of sales	**1.0**	1.0
Impairment of property, plant and equipment	**(4.8)**	2.7
Loss on disposal of property, plant and equipment	**0.2**	0.4
Net rent of properties	**48.2**	48.7
Amortisation of lease incentives	**(4.8)**	(5.2)
Hire of plant and equipment	**0.7**	1.1
Staff costs (including directors):		
Wages and salaries (including cash bonuses, excluding share-based payment charges)	**70.9**	69.7
Social security costs	**4.5**	4.6
Pension costs (see note 29)	**3.8**	3.4
Share-based payment charges (see note 28)	**1.3**	0.1
Exceptional costs/(credit) included in cost of sales (see note 6)	**3.4**	(1.2)
Exceptional costs included in administrative expenses (see note 6)	**5.7**	6.8

An analysis of the average monthly number of full and part-time employees throughout the Group, including Executive Directors, is as follows:

	52 weeks ended 28 March 2015 number	52 weeks ended 29 March 2014 number
Number of employees comprising:		
UK stores	**4,637**	4,779
Head office	**624**	653
Overseas	**172**	181
	5,433	5,613
Full time equivalents	**3,304**	3,486

Details of directors' emoluments, share options and beneficial interests are provided within the remuneration report on pages 67 to 71.

For the 52 weeks ended 28 March 2015, profit from retail operations is stated after a non-underlying net credit of £6.9 million (2014: £14.9 million charge) to cost of sales as a result of non-cash foreign currency adjustments under IAS 39 and IAS 21.

7. Profit/loss from retail operations continued

The analysis of auditor's remuneration is as follows:

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.1	0.1
Fees payable to the Company's auditor for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	0.2	0.2
Total audit fees	0.3	0.3
Tax compliance services	–	0.1
Corporate finance fees	0.5	–
Total non-audit fees	0.5	0.1

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

The corporate finance fees for 52 weeks ended 28 March 2015 are fees relating to the rights issue.

The policy for the approval of non-audit fees, together with an explanation of the services provided, is set out on page 52, in the corporate governance report.

8. Net finance costs

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Interest and bank fees on bank loans and overdrafts	4.4	4.5
Net interest on liabilities/return on assets	2.1	2.7
Net finance costs	6.5	7.2

9. Taxation

The charge for taxation on loss for the period comprises:

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Current tax:		
Current year	2.0	2.1
Adjustment in respect of prior periods	0.2	–
	2.2	2.1
Deferred tax: (see note 16)		
Current year	–	(4.2)
Change in tax rate in respect of prior periods	–	(0.2)
Adjustment in respect of prior periods	0.1	3.5
	0.1	(0.9)
Charge for taxation on loss for the period	**2.3**	1.2

UK corporation tax is calculated at 21% (2014: 23%) of the estimated assessable loss for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Loss for the period before taxation	(13.1)	(26.3)
Loss for the period before taxation multiplied by the standard rate of corporation tax in the UK of 21% (2014: 23%)	(2.8)	(6.0)
Effects of:		
Expenses not deductible for tax purposes	5.7	2.4
Change in tax rate	–	(0.2)
Impact of overseas tax rates	1.2	2.0
Relief for losses brought forward	(0.7)	–
Impact of double tax relief	(1.1)	(0.5)
Adjustment in respect of prior periods	0.2	–
Relief for exercise of share options	(0.3)	–
Impact of write-off of prior year deferred tax asset	0.1	3.5
Charge for taxation on loss for the period	**2.3**	1.2

In addition to the amount charged to the income statement, deferred tax relating to retirement benefit obligations amounting to £7.0 million (2014: £4.5 million) has been credited directly to other comprehensive income.

10. Dividends
The directors are not recommending the payment of a final dividend for the year (2014: £nil) and no interim dividend was paid during the year (2014: £nil).

11. Earnings per share

	52 weeks ended 28 March 2015 million	52 weeks ended 29 March 2014 million
Weighted average number of shares in issue	122.2	88.7
Dilution – option schemes (for underlying results only)	3.6	1.3
Diluted weighted average number of shares in issue	125.8	90.0
Number of shares at period end	170.5	88.8
	£ million	£ million
Loss for basic and diluted earnings per share	(15.4)	(27.5)
Exceptional and other non-underlying items (note 6)	26.1	35.8
Tax effect of above items	(0.2)	(1.5)
Underlying earnings	10.5	6.8
	pence	pence
Basic loss per share	(12.6)	(31.0)
Basic underlying earnings per share	8.6	7.7
Diluted loss per share	(12.6)	(31.0)
Diluted underlying earnings per share	8.3	7.6

Loss per share is not affected by the dilution calculation.

12. Subsidiaries
A list of the Group's significant investments in subsidiaries, all of which are wholly owned, including the name and country of incorporation is given in note 3 to the Company financial statements. All subsidiaries are included in the consolidation.

Notes to the consolidated financial statements
continued

13. Investments in joint ventures

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Investments at start of period	**7.7**	8.0
Additions	**–**	2.9
Share of loss	**(0.2)**	(0.6)
Impairment	**(0.2)**	(2.6)
Investments at end of period	**7.3**	7.7
Summary aggregate financial results and position of joint ventures:		
Current assets	**27.1**	27.4
Non-current assets	**12.2**	8.0
Total assets	**39.3**	35.4
Current liabilities	**(17.2)**	(12.5)
Non-current liabilities	**(0.1)**	–
Total liabilities	**(17.3)**	(12.5)
Total joint venture revenue	**42.8**	52.6
Total loss for the period	**(0.7)**	(2.0)

Details of the joint ventures are as follows:

	Place of incorporation	Proportion of ownership interest %	Proportion of voting power held %
Mothercare-Goodbaby China Retail Limited	Hong Kong	30	50
Rhea Retail Private Limited	India	30	30
Juno Retail Private Limited	India	30	30
Wadicare Limited	Cyprus	30	30

During the prior year the Group fully impaired its investment in Wadicare Limited due to uncertainties in the future cash flows driven by the political and economical unrest in Ukraine which is where the joint venture trades.

During the year the Group made a provision of £0.2 million against its holdings in Rhea Retail Private Limited and Juno Retail Private Limited to reflect the sale proceeds received in May 2015.

14. Goodwill and intangible assets

	Goodwill £ million	Trade name £ million	Customer relationships £ million	Software £ million	Software under development £ million	Total £ million
		Intangible assets				
Cost						
As at 31 March 2013	68.6	28.8	5.7	26.4	0.2	61.1
Additions	–	–	–	3.0	0.3	3.3
Disposals	–	–	–	(3.0)	–	(3.0)
Transfers	–	–	–	0.2	(0.2)	–
As at 30 March 2014	68.6	28.8	5.7	26.6	0.3	61.4
Additions	–	–	–	4.0	2.3	6.3
Disposals	–	–	–	–	–	–
Transfers	–	–	–	0.3	(0.3)	–
As at 28 March 2015	**68.6**	**28.8**	**5.7**	**30.9**	**2.3**	**67.7**
Amortisation and impairment losses						
As at 31 March 2013	41.8	19.3	5.1	17.0	–	41.4
Amortisation	–	0.8	0.2	4.6	–	5.6
Disposals	–	–	–	(3.0)	–	(3.0)
As at 30 March 2014	41.8	20.1	5.3	18.6	–	44.0
Amortisation	–	0.8	0.2	3.6	–	4.6
Disposals	–	–	–	–	–	–
As at 28 March 2015	**41.8**	**20.9**	**5.5**	**22.2**	**–**	**48.6**
Net book value						
As at 30 March 2013	26.8	9.5	0.6	9.4	0.2	19.7
As at 29 March 2014	26.8	8.7	0.4	8.0	0.3	17.4
As at 28 March 2015	**26.8**	**7.9**	**0.2**	**8.7**	**2.3**	**19.1**

Goodwill, trade name and customer relationships relate to the acquisition of the Early Learning Centre on 19 June 2007, Gurgle Limited on 8 September 2009 and Blooming Marvellous on 7 July 2010. Trade name and customer relationships are amortised over a useful life of 10–20 and 5–10 years respectively.

Impairment of goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

Goodwill acquired through the business combination has been allocated to the two groups of cash-generating units ('CGUs') that are expected to benefit from that business combination being UK (£nil, 2014: £nil) and International (£26.8 million, 2014: £26.8 million). These segments represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The recoverable amounts of the CGUs are determined from value in use calculations with a discounted cash flow model being used to calculate this amount. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and expected changes to selling prices. Management has used a pre tax discount rate of 11.7% (2014: 10.1%) which reflects the time value of money and risks related to the CGUs. The cash flow projections are based on financial budgets and forecasts approved by the board covering a three-year period. Cash flows beyond the three-year period assume a 2% growth rate (2014: 2%), which does not exceed the long-term growth rate for the market in which the Group operates. The value in use calculations use this growth rate to perpetuity.

The Group has conducted sensitivity analysis on the impairment test of the International CGU. With reasonable possible changes in key assumptions, there is no indication that the carrying amount of goodwill and intangible assets would be reduced to a lower amount.

Software

Software additions include £1.5 million (2014: £1.0 million) of internally generated intangible assets.

At 28 March 2015, the Group had entered into contractual commitments for the acquisition of software amounting to £0.8 million (2014: £0.4 million).

15. Property, plant and equipment

	Properties including fixed equipment				
	Freehold £ million	Leasehold £ million	Fixtures, fittings, equipment £ million	Assets in course of construction £ million	Total £ million
Cost					
As at 31 March 2013	7.9	101.4	149.2	1.2	259.7
Transfers	–	–	1.3	(1.3)	–
Additions	–	2.8	4.6	1.5	8.9
Disposals	–	(3.4)	(8.0)	–	(11.4)
Exchange differences	–	(0.1)	–	–	(0.1)
As at 30 March 2014	7.9	100.7	147.1	1.4	257.1
Transfers	–	–	1.4	(1.4)	–
Additions	–	3.3	5.3	2.4	11.0
Disposals	–	(4.2)	(5.6)	–	(9.8)
Exchange differences	–	–	0.1	–	0.1
As at 28 March 2015	**7.9**	**99.8**	**148.3**	**2.4**	**258.4**
Accumulated depreciation and impairment					
As at 31 March 2013	2.5	75.3	112.3	–	190.1
Charge for period	0.1	4.8	9.8	–	14.7
Impairment	–	0.5	3.1	–	3.6
Disposals	–	(3.4)	(7.6)	–	(11.0)
Exchange differences	–	0.1	–	–	0.1
As at 30 March 2014	2.6	77.3	117.6	–	197.5
Charge for period	–	4.3	8.8	–	13.1
Impairment	–	0.8	0.2	–	1.0
Disposals	–	(4.1)	(5.5)	–	(9.6)
Exchange differences	–	–	–	–	–
As at 28 March 2015	**2.6**	**78.3**	**121.1**	**–**	**202.0**
Net book value					
As at 30 March 2013	5.4	26.1	36.9	1.2	69.6
As at 29 March 2014	5.3	23.4	29.5	1.4	59.6
As at 28 March 2015	**5.3**	**21.5**	**27.2**	**2.4**	**56.4**

The net book value of leasehold properties includes £21.4 million (2014: £23.1 million) in respect of short leasehold properties. A £4.8 million credit against the impairment on property, plant and equipment has been included within non-underlying administration expenses and a £5.8million charge is included within exceptional property costs.

At 28 March 2015, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £4.7 million (2014: £3.0 million).

Freehold land and buildings with a carrying amount of £5.3 million (2014: £5.3 million) have been pledged to secure the Group's borrowing facility (see note 20). The Group is not allowed to pledge these assets as security for other borrowings.

16. Deferred tax assets and liabilities

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

	Accelerated tax depreciation £ million	Short-term timing differences £ million	Retirement benefit obligations £ million	Share-based payments £ million	Intangible assets £ million	Losses £ million	Total £ million
At 31 March 2013	0.8	7.5	14.2	0.2	(1.8)	0.8	21.7
Credit/(charge) to income	1.6	(0.1)	0.2	–	–	(0.8)	0.9
Transfer to current tax	–	–	–	–	0.4	–	0.4
Charge to other comprehensive income	–	–	(4.5)	–	–	–	(4.5)
At 30 March 2014	2.4	7.4	9.9	0.2	(1.4)	–	18.5
Credit/(charge) to income	1.3	(1.2)	(0.6)	0.2	0.1	–	(0.2)
Credit/(charge) to other comprehensive income	–	(1.7)	7.0	–	–	–	5.3
At 28 March 2015	**3.7**	**4.5**	**16.3**	**0.4**	**(1.3)**	**–**	**23.6**

Certain deferred tax assets and liabilities have been offset where the group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	28 March 2015 £ million	29 March 2014 £ million
Deferred tax assets	**32.3**	25.7
Deferred tax liabilities	**(8.7)**	(7.2)
	23.6	18.5

At the balance sheet date the Group has unused tax losses of £32.0 million (2014: £27.6 million) available for offset against future profits. No deferred tax asset has been recognised for such losses.

At the reporting date, deferred tax liabilities of £0.1 million (2014: £0.2 million) relating to withholding taxes have not been provided in respect of the aggregate amount of unremitted earnings of £22.7 million (2014: £8.4 million) in respect of subsidiaries and joint ventures. No liability has been recognised because the Group, being in a position to control the timing of the distribution of intra Group dividends, has no intention to distribute intra Group dividends in the foreseeable future that would trigger withholding tax. There are no unremitted earnings in connection with interests in joint ventures.

At 28 March 2015, the Group has unused capital losses of £645.2 million (2014: £637.0 million) available for offset against future capital gains. No asset has been recognised in respect of the capital losses as it is not considered probably that there will be future taxable capital gains. The capital losses may be carried forward indefinitely.

Notes to the consolidated financial statements
continued

17. Inventories

	28 March 2015 £ million	29 March 2014 £ million
Gross value	**92.5**	99.3
Allowance against carrying value of inventories	**(4.8)**	(6.2)
Finished goods and goods for resale	**87.7**	93.1

The amount of write down of inventories to net realisable value recognised within net income in the period is a credit of £1.4 million (2014: £0.4 million credit).

18. Trade and other receivables

	28 March 2015 £ million	29 March 2014 £ million
Trade receivables gross	**54.6**	43.7
Allowance for doubtful debts	**(1.6)**	(1.6)
Trade receivables net	**53.0**	42.1
Prepayments and accrued income	**13.6**	14.1
Bank borrowings net of prepaid fees	**0.4**	–
Other receivables	**2.4**	3.6
Trade and other receivables due within one year	**69.4**	59.8

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

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Balance at beginning of period	**(1.6)**	(1.8)
Released in the period	**–**	0.2
Balance at end of period	**(1.6)**	(1.6)

The Group's exposure to credit risk inherent in its trade receivables is discussed in note 21. The Group has no significant concentration of credit risk. The Group operates effective credit control procedures in order to minimise exposure to overdue debts and where possible also carries insurance against the cost of bad debts. The insurance counterparties involved in transactions are limited to high quality financial institutions. Before accepting any new credit customer, the Group obtains a credit check from an external agency to assess the credit quality of the potential customer and then sets credit limits on a customer by customer basis.

The historical level of customer default is minimal and as a result the 'credit quality' of year end trade receivables is considered to be high.

18. Trade and other receivables continued

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

	28 March 2015 £ million	29 March 2014 £ million
Trade receivables gross	**54.6**	43.7
Allowance for doubtful debts	**(1.6)**	(1.6)
Trade receivables net	**53.0**	42.1
Of which trade receivables gross comprise:		
Amounts not past due on the reporting date	**46.4**	36.6
Amounts past due:		
Less than one month	**3.3**	3.6
Between one and three months	**2.8**	0.8
Between three and six months	**0.7**	1.2
Greater than six months	**1.4**	1.5
Allowance for doubtful debts:		
Amounts not past due on the reporting date	**(0.1)**	(0.2)
Less than one month	**–**	–
Between one and three months	**–**	–
Between three and six months	**(0.5)**	(0.4)
Greater than six months	**(1.0)**	(1.0)
Trade accounts receivable net carrying amount	**53.0**	42.1

Provisions for doubtful trade accounts receivable are established based upon the difference between the receivable value and the estimated net collectible amount. The Group establishes its provision for doubtful trade accounts receivable based on its historical loss experiences and an analysis of the counterparty's current financial position.

The average credit period taken on sales of goods is disclosed in note 22. No interest is charged on trade receivables, however, the right to charge interest on outstanding balances is retained.

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

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.

Notes to the consolidated financial statements
continued

20. Borrowing facilities
The Group had outstanding borrowings at 28 March 2015 of £nil million (2014: £63.8 million).

Committed borrowing facilities
Following the rights issue during the year, the Group repaid the term loan and revolving credit facility, previously in place, in full. New banking facilities with the Group's existing banks were signed on 22 October 2014 for £50 million, a revolving credit facility expiring in May 2018. At the year end the Group had not drawn down on this facility.

	28 March 2015 £ million	29 March 2014 £ million
Borrowings:		
Secured borrowings at amortised cost:		
Committed facility	**–**	(40.0)
Revolving credit facility	**–**	(25.0)
Facility fee	**–**	1.2
Amount due for settlement within one year	**–**	(27.6)
Amount due for settlement after one year	**–**	(36.2)
Total borrowings	**–**	(63.8)
Weighted average interest rate paid (for when borrowings in place)	**3.97%**	4.38%

21. Risks arising from financial instruments
A. Terms, conditions and risk management policies
The Board approves treasury policies and senior management directly controls day-to-day operations within these policies. The major financial risks to which the Group is exposed relate to movements in foreign exchange rates and interest rates. Where appropriate, cost effective and practicable the Group uses financial instruments and derivatives to manage these risks. No speculative use of derivatives, currency or other instruments is permitted. The Group's financial risk management policy is described in note 2.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the returns to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

B. Foreign currency risk management
The Group incurs foreign currency risk on purchases whenever they are denominated in a currency other than the functional currency. This risk is managed through holding derivative financial instruments and through the natural offset of sales and purchases denominated in foreign currency.

The Group uses forward foreign currency contracts to reduce its cash flow exposure to exchange rate movements, primarily on the US dollar. For forward contracts taken out prior to 5 January 2014 the Group did not hedge account for its forward foreign currency contracts under the requirements of IAS 39. These derivative financial instruments were 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. For contracts taken out after 5 January 2014 the Group has applied hedge accounting and the contracts are considered effective cashflow hedges and are accounted for by recognising the gain/loss on the hedge through reserves rather than the income statement.

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

In addition the Group also incurs foreign currency risk on royalty income as local sales are translated into sterling amounts on which royalties are calculated. To help mitigate against further currency impacts, we hedge our major marked currency exposure. Hedge accounting has been applied for the contracts and the gain/loss on the hedge has been recognised through reserves.

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

International sales represent 36% (2014: 36%) of Group sales. Of these sales, 31% (2014: 33%) were invoiced in foreign currency. The Group purchases product in foreign currencies, representing approximately 53% (2014: 54%) of purchases.

21. Risks arising from financial instruments continued

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

	28 March 2015 £ million	29 March 2014 £ million
Foreign currency forward exchange contracts:		
Less than one year	**174.7**	150.2
After one year but not more than five years	**–**	18.1
	174.7	168.3

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

	Liabilities		Assets	
	28 March 2015 £ million	29 March 2014 £ million	28 March 2015 £ million	29 March 2014 £ million
US dollar	**(1.4)**	(1.5)	**17.7**	10.6
Euro	**(0.5)**	(0.3)	**–**	–
Hong Kong dollar	**(2.3)**	(1.5)	**1.0**	0.5
Indian rupee	**(0.8)**	(0.5)	**4.0**	2.5
Chinese renminbi	**(0.4)**	(0.3)	**0.2**	0.1
Bangladeshi taka	**–**	–	**0.2**	0.1
	(5.4)	(4.1)	**23.1**	13.8

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

	28 March 2015 £ million	29 March 2014 £ million
At notional value	**174.7**	168.3
At fair value – less than one year	**9.3**	(6.6)
At fair value – more than one year	**–**	–
Total fair value	**9.3**	(6.6)

At 28 March 2015, the average hedged rate for outstanding forward foreign currency contracts is 1.58 for US dollars, 1.29 for Euros and 85.58 for Russian roubles. These contracts mature between April 2015 and March 2016.

The fair value of foreign currency forward contracts is measured using quoted foreign exchange rates and yield curves from quoted rates matching the maturities of the contracts, and they therefore are categorised within level 2 of the fair value hierarchy set out in IFRS 7.

The fair value of embedded derivatives is £0.2 million below notional value (2014: £0.1 million).

Notes to the consolidated financial statements
continued

21. Risks arising from financial instruments continued

Currency sensitivity analysis

The Group's foreign currency financial assets and liabilities are denominated mainly in US dollars. The following table details the impact of a 10 per cent increase in the value of pounds sterling against the US dollar. A negative number indicates a net decrease in the carrying value of assets and liabilities and a corresponding loss in non-underlying profit or in other comprehensive income where pounds sterling strengthens against the US dollar.

	Reflected in profit and loss		Reflected in equity	
	28 March 2015	29 March 2014	**28 March 2015**	29 March 2014
US dollar impact	**(4.0)**	(14.2)	**(18.7)**	(17.7)

C. Credit risk

Credit risk is the risk that a counterparty may default on their obligation to the Group in relation to lending, hedging, settlement and other financial activities. The Group's credit risk is primarily attributable to its trade receivables. The Group has a credit policy in place and the exposure to counterparty credit risk is monitored. The Group mitigates its exposure to counterparty credit risk through minimum counterparty credit guidelines, diversification of counterparties, working within agreed counterparty limits and trade insurance and bank guarantees where appropriate.

The carrying amount of the financial assets represents the maximum credit exposure of the Group. The carrying amount is presented net of impairment losses recognised. The maximum exposure to credit risk comprises trade receivables as shown in note 18, and cash and cash equivalents of £31.5 million and derivative financial assets.

The average credit period on trade receivables was 27 days (2014: 21 days) based on total Group revenue. The average credit period on International trade receivables based on international revenue was 74 days (2014: 59 days).

D. Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities and monitoring covenant compliance and headroom. Included in note 20 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

E. Interest rate risk

Prior to the repayment of the term loan and revolving credit facility these instruments gave rise to interest rate risk. Subsequent to the rights issue and the repayment of these balances, no such risk exists.

The Group has negotiated a new revolving credit facility, which as at 28 March 2015 has not had any amounts drawn down on it. However, should the Group draw down on this facility in the future, the Group would incur interest rate risk again.

22. Trade and other payables

	28 March 2015 £ million	29 March 2014 £ million
Current liabilities		
Trade payables	**54.2**	63.5
Payroll and other taxes including social security	**1.9**	2.0
Accruals and deferred income	**47.1**	35.8
Lease incentives	**3.8**	4.7
	107.0	106.0
Non-current liabilities		
Lease incentives	**20.4**	24.1

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 50 days (2014: 52 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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

23. Provisions

	28 March 2015 £ million	29 March 2014 £ million
Current liabilities		
Property provisions	**25.6**	16.7
Other provisions	**0.9**	0.7
Short-term provisions	**26.5**	17.4
Non-current liabilities		
Property provisions	**17.2**	16.3
Other provisions	**0.8**	0.7
Long-term provisions	**18.0**	17.0
Property provisions	**42.8**	33.0
Other provisions	**1.7**	1.4
Total provisions	**44.5**	34.4

The movement on total provisions is as follows:

	Property provisions £ million	Other provisions £ million	Total provisions £ million
Balance at 30 March 2014	33.0	1.4	34.4
Utilised in period	(11.1)	(0.6)	(11.7)
Charged in period	26.5	0.9	27.4
Released in period	(5.6)	–	(5.6)
Balance at 28 March 2015	**42.8**	**1.7**	**44.5**

Notes to the consolidated financial statements
continued

23. Provisions continued

Property provisions principally represent the costs of store disposals or closures relating to the optimisation of the UK portfolio which involves the closure of Mothercare and Early Learning Centre stores and provisions for onerous lease costs. Provisions for onerous leases have been made for vacant, partly let and trading stores for the shorter of; the remaining period of the lease and the period until the Group will be able to exit the lease commitment. For trading stores the amount provided is based on the shortfall in contribution required to cover future rental obligations together with other fixed outgoings. The majority of this provision is expected to be utilised over the next three financial years.

Other provisions represent provisions for uninsured losses (£1.7 million), hence the timing of the utilisation of these provisions is uncertain.

24. Share capital

	52 weeks ended 28 March 2015 Number of shares	52 weeks ended 29 March 2014 Number of shares	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Issued and fully paid				
Ordinary shares of 50 pence each:				
Balance at beginning of period	**88,813,598**	88,653,417	**44.4**	44.3
Issued under the Mothercare Share Schemes	**1,713,128**	160,181	**0.8**	0.1
Rights issue	**79,942,294**	–	**40.0**	–
Balance at end of period	**170,469,020**	88,813,598	**85.2**	44.4

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

The own shares reserve of £0.4 million (2014: £0.4 million) represents the cost of shares in Mothercare plc purchased in the market and held by the Mothercare Employee Trusts to satisfy options under the Group's share option schemes (see note 28). The total shareholding is 133,511 (2014: 70,269) with a market value at 28 March 2015 of £0.3 million (2014: £0.1 million).

In October 2014 the Group completed a rights issue which was 94.6% subscribed and gave rise to net proceeds of £93.7m. These proceeds are being used to progress the Group's store closure and refurbishment plan as well as to repay the Group's external borrowings and to upgrade its IT infrastructure.

25. Translation and hedging reserves

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Translation reserve		
Balance at beginning of period	**(0.7)**	0.6
Exchange differences on translation of foreign operations	**1.6**	(1.3)
Balance at end of period	**0.9**	(0.7)
Hedging reserve		
Balance at beginning of period	**(0.4)**	(0.3)
Cash flow hedges: gains arising in the period	**11.6**	(0.1)
Removal from equity to inventories during the period	**(4.4)**	–
Balance at end of period	**6.8**	(0.4)

26. Reconciliation of cash flow from operating activities

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Profit/(loss) from retail operations	**19.8**	(7.7)
Adjustments for:		
Depreciation of property, plant and equipment	**13.1**	14.7
Amortisation of intangible assets	**4.6**	5.6
Impairment of property, plant and equipment and intangible assets	**(4.8)**	2.7
Losses on disposal of property, plant and equipment and intangible assets	**0.2**	0.4
(Profit)/loss on non-underlying non-cash foreign currency adjustments	**(6.9)**	14.9
Equity-settled share-based payments	**1.3**	0.1
Movement in provisions	**(10.6)**	(10.8)
Cash payments for other exceptional items	**0.1**	(0.2)
Amortisation of lease incentives	**(4.8)**	(5.2)
Lease incentives received	**1.6**	0.7
Payments to retirement benefit schemes	**(6.4)**	(6.2)
Charge to profit from operations in respect of retirement benefit schemes	**1.4**	1.1
Operating cash flow before movement in working capital	**8.6**	10.1
Decrease in inventories	**7.7**	14.4
Increase in receivables	**(9.6)**	(3.3)
Decrease in payables	**(5.4)**	(15.5)
Cash generated from operations	**1.3**	5.7
Income taxes paid	**(2.4)**	(1.7)
Net cash flow from operating activities	**(1.1)**	4.0

Analysis of net debt

	29 March 2014 £ million	Cash flow £ million	Foreign exchange £ million	Other non-cash movements £ million	28 March 2015 £ million
Cash and cash equivalents/(debt)	17.3	12.7	1.5	–	**31.5**
Borrowings	(65.0)	65.0	–	–	**–**
Facility fee	1.2	1.1	–	(2.3)	**–**
(Net debt)/cash	(46.5)	78.8	1.5	(2.3)	**31.5**

Overview
Strategic report
Governance
Financial statements

Notes to the consolidated financial statements
continued

27. Operating lease arrangements
The Group as lessee:

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Amounts recognised in cost of sales for the period:		
Minimum lease payments paid	**47.8**	49.7
Contingent rents	**0.6**	0.3
Minimum sub-lease payments received	**(0.2)**	(0.2)
Net rent expense for the period	**48.2**	49.8

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

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

	28 March 2015 £ million	29 March 2014 £ million
Not later than one year	**47.3**	51.8
After one year but not more than five years	**147.5**	162.0
After five years	**93.0**	114.8
Total future minimum lease payments	**287.8**	328.6

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

	28 March 2015 £ million	29 March 2014 £ million
Not later than one year	**0.7**	1.4
After one year but not more than five years	**1.9**	2.2
After five years	**0.6**	0.9
Total future minimum lease payments	**3.2**	4.5

28. Share-based payments

An expense is recognised for share-based payments based on the fair value of the awards (at the date of grant for those awards due to be equity settled and at year end for those due to be cash settled), the estimated number of shares that will vest and the vesting period of each award.

The underlying charge for share-based payments is £1.3 million (2014: £0.1 million), including national insurance, of which £1.2 million (2014: £nil million) was equity-settled. At 28 March 2015 the liability in the balance sheet is £0.1 million related to the expected National Insurance charge when share based payment schemes vest (2014: £nil million).

These charges relate to the following schemes:

A. Executive Share Option Scheme

B. Save As You Earn Schemes

C. Company Share Option Plan

D. Performance Share Plan

E. Share Matching Scheme

F. Long Term Incentive Plans

Details of the share schemes that the Group operates are provided in the directors' remuneration report on pages 75 and 76.

For each scheme, expected volatility was determined with reference to the 90-day volatility of the Group's share price over the previous three years. The expected life used in each model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The dates of exercise are not disclosed, as it is not deemed practicable to do so.

A. Executive Share Option Scheme

Share options may be granted to executives and senior managers at a price equal to the average quoted market price of the Group's shares on the date of grant. The options vest after three years, conditional on the Group's share price exceeding 3% per annum compound growth over the vesting period. If the options remain unexercised after a period of 10 years from the date of grant, they expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

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

	Weighted average option price	**52 weeks ended 28 March 2015 Number of shares**	52 weeks ended 29 March 2014 Number of shares
Balance at beginning of period	**324p**	**2,500**	22,500
Exercised during the period	**–**	**–**	(20,000)
Lapsed during the period	**324p**	**(2,500)**	–
Balance at end of period	**–**	**–**	2,500

B. Save As You Earn Schemes

The employee Save As You Earn schemes are open to all employees and provide for a purchase price equal to the daily average market price on the days prior to the offer date, less 20%.

The share options can be applied for during a two week period in the year of invitation and savings are placed in an employee Save As You Earn bank account on trust for a three-year period.

28. Share-based payments continued

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

	Weighted average exercise price	52 weeks ended 28 March 2015 Number of shares	52 weeks ended 29 March 2014 Number of shares
Balance at beginning of period	**145p**	**2,237,016**	2,593,812
Granted during period	**148p**	**998,535**	199,071
Rights issue options during the period	**111p**	**536,914**	–
Forfeited during period	**113p**	**(145,958)**	(204,314)
Exercised during period	**91p**	**(1,713,128)**	(140,181)
Cancelled in the period	**182p**	**(161,069)**	(110,467)
Expired during period	**179p**	**(18,434)**	(100,905)
Balance at end of period	**149p**	**1,733,876**	2,237,016

The shares outstanding at 28 March 2015 had a weighted average remaining contractual life of 2.5 years and ranged in price from 91p to 244p.

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

Grant date	December 2014	December 2013	December 2012
Number of options granted	998,525	199,071	299,407
Share price at grant date	178p	410p	340p
Exercise price	148p	310p	242p
Expected volatility	42.0%	43.0%	50.0%
Risk-free rate	0.60%	0.86%	0.46%
Expected dividend yield	Nil	Nil	Nil
Time to expiry	3.25 years	3.25 years	3.25 years
Fair value of option	165.8p	169.2p	158.5p

The resulting fair value is expensed over the service period of three years on the assumption that 20% of options will lapse over the service period as employees leave the Group.

C. Company Share Option Plan

The Company Share Option Plan is open for all employees excluding directors and senior employees who are awarded shares under the long term incentive plan. Shares will be awarded to employees still in employment at end of May 2018 subject to Group profit before tax for financial year ending March 2018.

The fair value of Company Share Option plan share options is calculated based on a Black-Scholes model with the following assumptions:

Grant date	December 2014
Number of options granted	2,679,515
Share price at grant date	183p
Exercise price	184p
Expected volatility	56.0%
Risk-free rate	0.97%
Expected dividend yield	Nil
Time to expiry	3.5 years
Fair value of option	74p

28. Share-based payments continued

D. Performance Share Plan

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

	52 weeks ended 28 March 2015 Number of shares	52 weeks ended 29 March 2014 Number of shares
Balance at beginning of period	450,375	674,957
Lapsed during period	(450,375)	(224,582)
Balance at end of period	–	450,375

The fair value of the plan award is calculated based on Mothercare's estimate of future profit per share growth. At the current time the Group's forecasts suggest that the performance share plan is not expected to pay out and consequently no cumulative charge has been recognised.

Grant date	November 2011	May 2011
Number of shares awarded	376,154	618,653
Exercise price	Nil	Nil
Time to expiry	3 years	3 years
Fair value per share	137p	446p

E. Share Matching Scheme

During December 2011, the Chairman was granted 60,000 options with a nominal exercise price which vested in August 2014. To enable maximum vesting the Company total shareholder return over the three year performance period must be greater than or equal to the total shareholder return of the FTSE 250 plus 50%. As a condition of this award the Chairman was required to purchase shares in the Company for a value of £0.2 million and must continue to hold these shares over the performance period. At the date of grant the fair value of these awards was less than £0.1 million.

Upon assuming the role of Executive Chairman, the Chairman was granted a further 54,997 options with a nominal exercise price which vested in November 2014. To enable maximum vesting the Company total shareholder return over the three year performance period must be greater than or equal to the total shareholder return of the FTSE 250 plus 50%. As a condition of this award the Chairman is required to purchase shares in the Company for a value of £0.4 million and must continue to hold these shares over the performance period. At the date of grant the fair value of these awards was less than £0.1 million.

The performance criteria for both these awards was not met therefore the shares did not vest and are now expired.

Grant date	December 2011	December 2011
Number of shares awarded	60,000	54,997
Share price at date of grant	155p	155p
Fair value price at date of grant	116p	116p
Exercise price	Nil	Nil
Time to expiry	expired	expired

Notes to the consolidated financial statements
continued

28. Share-based payments continued

F. Long Term Incentive Plans

In March 2013 the Group announced the first awards under the Mothercare plc 2012 Long Term Incentive Plan. This scheme provides the opportunity for executive directors and senior employees to earn awards which will vest in whole or part subject to the achievement of stretching corporate performance conditions supporting the Transformation and Growth plan. The performance conditions relate to the Group profit before tax and share price performance. In addition the UK business must break even in the financial year ending 2015 or 2016. The performance period is from 1 April 2012 to 31 March 2015 and the performance conditions will be tested in relation to the financial year 2015 results to determine what percentage of the shares vest. No consideration is payable for the grant of these awards.

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

In December 2013 the Group granted further awards under the Mothercare plc 2012 Long Term Incentive Plan. The Performance conditions relate to Group profit before tax, UK profit before tax and share price performance, these conditions will be tested in relation to financial years March 2016 and March 2017 to determine what percentage of the shares vests. Specifically the performance period for the Group profit before tax and share price performance measures is 31 March 2013 to 26 March 2016, and the performance period for the UK profit before tax performance measure is 31 March 2013 to 25 March 2017. No consideration is payable for the grant of these awards.

Grant date	December 2013	December 2013	December 2013
	PBT awards	PBT awards	Share price awards
Number of shares awarded	242,961	404,934	647,895
Share price at date of grant	443p	443p	443p
Exercise price	Nil	Nil	Nil
Expected volatility	56.4%	49.3%	43.7%
Risk-free rate	0.68%	1.08%	0.63%
Expected dividend yield	Nil	Nil	Nil
Fair value of shares granted	443p	443p	228p
Average time to expiry	3 years	4 years	3.5 years

28. Share-based payments continued

In December 2014 and March 2015 the Group granted further awards under Mothercare plc 2012 Long Term Incentive Plan. The performance conditions relate to Group profit before tax and share price performance. These conditions will be tested in relation to financial year ending March 2018 and March 2017 respectively to determine what % of the shares vest. No consideration is payable for the grant of these awards.

Grant date	December 2014	December 2014	March 2015	March 2015
	PBT awards	Share price awards	PBT awards	Share price awards
Number of shares awarded	1,466,718	1,466,718	412,000	412,000
Share price at date of grant	184p	184p	192p	192p
Exercise price	Nil	Nil	Nil	Nil
Expected volatility	56.3%	47.7%	56.3%	47.7%
Risk-free rate	0.92%	0.60%	0.92%	0.60%
Expected dividend yield	Nil	Nil	Nil	Nil
Fair value of shares granted	184p	71p	184p	71p
Average time to expiry	3.3 years	2.3 years	3.3 years	2.3 years

29. Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees of Early Learning Centre Limited and Mothercare UK Limited.

The total cost charged to the income statement of £2.2 million (2014: £2.0 million) represents contributions due and paid to these schemes by the Group at rates specified in the rules of the plan.

Defined benefit schemes

The Group previously operated two defined benefit pension schemes for employees of Mothercare UK Limited; these were both closed to future accrual with effect from 30 March 2013.

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

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

The most recent full actuarial valuations as at March 2014 were updated as at 28 March 2015 for the purpose of these disclosures with the advice of professionally qualified actuaries. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method.

The scheme exposes the Company to actuarial risks such as longevity risk, interest rate risk, market (investment) risk.

The IAS 19 valuation conducted for the period ending 28 March 2015 disclosed a net defined pension deficit of £81.2 million (2014: £49.7 million).

The major assumptions used in the updated actuarial valuations were:

	28 March 2015	29 March 2014
Discount rate	**3.5%**	4.5%
Inflation rate – RPI	**3.1%**	3.4%
Inflation rate – CPI	**2.0%**	2.4%
Future pension increases	**3.0%**	3.2%
Male life expectancy at age 65	**23.8 years**	23.5 years
Male life expectancy at age 65 (currently aged 45)	**25.6 years**	24.8 years

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

Notes to the consolidated financial statements
continued

29. Retirement benefit schemes continued

The mortality assumptions used are the SAPS tables published by the CMI allowing for future improvements in line with the CMI 2013 projections with a long term annual rate of improvement of 1.25%.

The effects of movements in the principal assumptions used to measure the scheme liabilities for every change in the relevant assumption are set out below:

Assumption	Change in assumption	Impact on scheme liabilities £ million
Discount rate	+/- 0.1%	+ 6.6/- 6.6
Rate of price inflation	+/- 0.1%	+ 6.1/- 6.1
Life expectancy	+ 1 year	+ 8.7

The above sensitivities are applied to adjust the defined benefit obligation at the end of the reporting period. Whilst the analysis does not take account of the full distribution of cash flows expected under the scheme, it does provide an approximation to the sensitivity of the assumptions shown.

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

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Running costs	**1.4**	1.1
Net interest on liabilities/return on assets	**2.1**	2.7
	3.5	3.8

Running costs are included in underlying administrative expenses, and net interest on liabilities/return on assets is included in finance costs.

The amount recognised in other comprehensive income for the period ending 28 March 2015 is a loss of £34.4 million (2014: a gain of £9.5 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:

	28 March 2015 £ million	29 March 2014 £ million
Present value of defined benefit obligations	**364.6**	303.0
Fair value of schemes' assets	**(283.4)**	(253.3)
Liability recognised in balance sheet	**81.2**	49.7

29. Retirement benefit schemes continued

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

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
At beginning of period	**303.0**	296.4
Interest expense	**13.4**	13.4
Actuarial losses/(gains) arising from changes in demographic assumptions	**5.4**	(2.1)
Actuarial losses arising from changes in financial assumptions	**47.5**	5.1
Experience losses on liabilities	**3.6**	–
Benefits paid	**(8.3)**	(9.8)
At end of period	**364.6**	303.0

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

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
At beginning of period	**253.3**	234.8
Interest income	**11.3**	10.7
Scheme administration expenses	**(1.4)**	(1.1)
Return on scheme assets excluding interest income	**22.1**	12.5
Company contributions	**6.4**	6.2
Benefits paid	**(8.3)**	(9.8)
At end of period	**283.4**	253.3

The major categories of scheme assets are as follows:

	28 March 2015 £ million	28 March 2015 £ million	29 March 2014 £ million	29 March 2014 £ million
	Quoted market price in active market	No quoted market price in active market	Quoted market price in active market	No quoted market price in active market
UK equities	**38.2**	–	56.0	–
Overseas equities	**55.0**	–	44.0	–
Corporate bonds	**116.9**	–	83.7	–
Property	–	–	–	5.9
Hedge funds	**70.1**	–	61.3	–
Cash and cash equivalents	**3.2**	–	2.4	–
	283.4	–	247.4	5.9

Notes to the consolidated financial statements
continued

29. Retirement benefit schemes continued

The scheme assets do not include any of the Group's own financial instruments nor any property occupied by or other assets used by the Group.

The estimated amount of cash contributions expected to be paid to the schemes during the 52 weeks ending 26 March 2016 is £9.8 million.

The scheme is funded by the Company. Funding of the scheme is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above. Funding requirements are formally set out in the Statement of Funding Principles, Schedule of Contributions and Recovery Plan agreed between the trustees and the Company.

The weighted average duration of the defined benefit obligation at 28 March 2015 is approximately 23.5 years (2014: 23.5 years).

The defined benefit obligation at 28 March 2015 can be approximately attributed to the scheme members as follows:

- Active members: 0% (2014: 0%)
- Deferred members: 67% (2014: 75%)
- Pensioner members: 33% (2014: 25%)

All benefits are vested at 28 March 2015 (unchanged from 29 March 2014).

30. Related party transactions

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

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

52 weeks ended 28 March 2015	Sales of goods £ million	Purchase of goods £ million	Amounts owed by related parties £ million	Amounts owed to related parties £ million
Joint ventures	**14.7**	**–**	**3.9**	**–**

52 weeks ended 29 March 2014	Sales of goods £ million	Purchase of goods £ million	Amounts owed by related parties £ million	Amounts owed to related parties £ million
Joint ventures	21.1	–	5.8	–

Sales of goods to related parties were made at the Group's usual cost prices.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received at the year end. A provision of £1.0 million (2014: £1.2 million) has been made for doubtful debts in respect of the amounts owed by related parties. No amounts (2014: £nil) have been written off in respect of amounts owed by related parties.

30. Related party transactions continued

Remuneration of key management personnel

The remuneration of the operating Board (including executive and non-executive directors), who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual directors is provided in the audited part of the remuneration report on pages 67 to 72.

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Short-term employee benefits	**4.4**	3.6
Post employment benefits	**0.2**	0.3
Compensation for loss of office	**0.3**	0.3
	4.9	4.2

Mothercare Pension scheme

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

Other transactions with key management personnel

There were no other transactions with key management personnel.

31. Events after the balance sheet date

On 8 May 2015 the Group disposed of its joint ventures in India, Rhea Retail Private Limited and Juno Retail Private Limited, for consideration of £2.9 million. There is not expected to be any profit or loss on disposal.

Company financial statements

Contents

133 Company balance sheet

134 Notes to the Company financial statements

137 Five year record

138 Shareholder information

Company balance sheet
As at 28 March 2015

	Note	28 March 2015 £ million	29 March 2014 £ million
Fixed assets			
Investments in subsidiary undertakings	3	**162.2**	161.0
		162.2	161.0
Current assets			
Debtors	4	**158.8**	79.2
Cash at bank and in hand and time deposits		**50.2**	90.3
		209.0	169.5
Creditors – amounts falling due within one year	5	**(182.2)**	(196.8)
Net current assets/(liabilities)		**26.8**	(27.3)
Total assets less current liabilities		**189.0**	133.7
Creditors – amounts falling due after more than one year	5	**–**	(36.2)
Net assets		**189.0**	97.5
Capital and reserves attributable to equity interests			
Called up share capital	6	**85.2**	44.4
Share premium	7	**60.8**	6.3
Own shares	7	**(0.4)**	(0.4)
Profit and loss account	7	**43.4**	47.2
Equity shareholders' funds	8	**189.0**	97.5

Approved by the Board on 20 May 2015 and signed on its behalf by:

Richard Smothers
Chief Financial Officer

Company Registration Number: 1950509

Notes to the Company financial statements

1. Significant accounting policies

Basis of presentation

The Company's accounting period covers the 52 weeks ended 28 March 2015. The comparative period covered the 52 weeks ended 29 March 2014.

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and on the going concern basis as described in the going concern statement in the Corporate Governance Report 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 28 March 2015 and the preceding 52 weeks ended 29 March 2014.

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 93.

Financial instruments

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

Related parties

The Company has taken advantage of paragraph 3 (c) of Financial Reporting Standard 8 ('Related Party Disclosures') not to disclose transactions with group entities or interests of the group qualifying as related parties.

2. Profit and loss account

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented for the Company. The Company's loss for the 52 weeks ended 28 March 2015 was £5.1 million (2014: loss of £20.7 million). The auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

3. 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:

	Principal activity	Country of incorporation
Mothercare UK Limited	Retailing company	United Kingdom
Mothercare Procurement Limited	Sourcing company	Hong Kong
Early Learning Centre Limited	Retailing company	United Kingdom

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

	28 March 2015 £ million	29 March 2014 £ million
Cost of investments (less amounts written off £153.0 million (2014: £153.0 million))	**151.5**	150.3
Loans to subsidiary undertakings	**65.5**	65.5
	217.0	215.8

3. Investments in subsidiary undertakings continued

	£ million
Cost	
At 30 March 2014	215.8
Share-based payments to employees of subsidiaries	1.2
At 28 March 2015	217.0
Impairment	
At 30 March 2014	(54.8)
Charged during the period	–
At 28 March 2015	(54.8)
Net book value	162.2

4. Debtors

	28 March 2015 £ million	29 March 2014 £ million
Amounts due from subsidiary undertakings	**158.4**	79.1
Other debtors	**0.4**	0.1
	158.8	79.2

5. Creditors

Creditors: amounts due within one year

	28 March 2015 £ million	29 March 2014 £ million
Amounts due to subsidiary undertakings	**181.4**	168.2
Borrowings	**–**	27.6
Accruals and other creditors	**0.8**	1.0
	182.2	196.8

Creditors: amounts due after more than one year

	28 March 2015 £ million	29 March 2014 £ million
Borrowings	**–**	36.2
	–	36.2

Notes to the Company financial statements
continued

6. Called up share capital

	Number of shares	£ million
Issued and fully paid		
Ordinary shares of 50p each:		
Balance at 30 March 2014	88,813,598	44.4
Issued under the Mothercare Sharesave Scheme	1,713,128	0.8
Rights issue	79,942,294	40.0
Balance at 28 March 2015	**170,469,020**	**85.2**

Further details of employee and executive share schemes are provided in note 28 to the consolidated financial statements.

In October 2014 the Group completed a rights issue which was 94.6% subscribed and gave rise to proceeds of £93.7 million. These proceeds are being used to progress the Group's store closure and refurbishment plan as well as to repay the Group's external borrowings and to upgrade its IT infrastructure.

7. Reserves

	Share premium £ million	Own shares £ million	Profit and loss account £ million
Balance at 30 March 2014	6.3	(0.4)	47.2
Net premium on shares issued	54.5	–	–
Fair value of share-based payments	–	–	1.3
Loss for the financial year	–	–	(5.1)
Balance at 28 March 2015	**60.8**	**(0.4)**	**43.4**

The own shares reserve of £0.4 million (2014: £0.4 million) represents the cost of shares in Mothercare plc purchased in the market and held by the Mothercare employee trusts to satisfy options under the Group's share option schemes (see note 28 to the consolidated financial statements). The total shareholding is 133,511 (2014: 70,269) with a market value at 29 March 2014 of £0.3 million (2014: £0.1 million).

8. Reconciliation of equity shareholders' funds

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Equity shareholders' funds brought forward	**97.5**	117.6
Cash flow hedges: gain/(loss) arising in the period	**–**	0.3
Shares issued	**95.3**	0.2
Fair value of share-based payments	**1.3**	0.1
Retained loss for the period	**(5.1)**	(20.7)
Equity shareholders' funds carried forward	**189.0**	97.5

Five year record
(unaudited)

	2015 £ million	2014 £ million	2013 Restated[4] £ million	2012 £ million	2011 £ million
Summary of consolidated income statements					
Revenue	**713.9**	724.9	749.4	812.7	793.6
Underlying[1] profit from operations before interest	**18.0**	15.9	11.8	2.0	28.9
Non-underlying[2] items	**(24.6)**	(35.0)	(29.4)	(104.4)	(19.5)
Interest (net)	**(6.5)**	(7.2)	(6.3)	(0.5)	(0.6)
(Loss)/profit before taxation	**(13.1)**	(26.3)	(23.9)	(102.9)	8.8
Taxation	**(2.3)**	(1.2)	0.1	11.1	(2.3)
(Loss)/profit for the financial year	**(15.4)**	(27.5)	(23.8)	(91.8)	6.5
Basic (loss)/earnings per share	**(12.6p)**	(31.0p)	(26.9p)	(105.2p)	7.6p
Basic underlying earnings per share	**8.6p**	7.7p	4.2p	1.8p	24.7p
Summary of consolidated balance sheets					
Deferred tax asset	**23.6**	18.5	21.7	17.6	6.9
Other non-current assets	**109.6**	111.5	124.1	145.2	208.6
Net current assets	**64.1**	12.2	45.6	24.0	54.4
Retirement benefit obligations	**(81.2)**	(49.7)	(61.6)	(52.7)	(37.6)
Other non-current liabilities	**(38.4)**	(77.3)	(91.0)	(61.4)	(39.5)
Total net assets	**77.7**	15.2	38.8	72.7	192.8
Other key statistics					
Share price at year end	**206.5p**	189.0p	315.0p	166.0p	474.0p
Net (debt)/cash to equity	**40.5%**	(238.5%)	(83.5%)	(27.6%)	7.9%
Number of issued shares	**170,469,020**	88,813,598	88,653,417	88,636,762	88,540,219
Capital expenditure	**12.7**	10.9	16.2	24.9	21.8
Depreciation and amortisation	**17.7**	20.3	21.4	22.8	23.0
Rents	**48.2**	48.7	54.2	65.4	68.2
Number of UK stores	**189**	220	255	311	373
Number of International stores[3]	**1,273**	1,221	1,069	1,028	894
UK selling space (000's sq.ft.)	**1,658**	1,737	1,805	1,946	2,017
International selling space (000's sq.ft.)[3]	**2,895**	2,656	2,347	2,283	1,845
Average number of employees	**5,433**	5,613	6,226	6,943	7,440
Average number of full time equivalents	**3,304**	3,486	3,959	4,350	4,650

1 Before items described in note 2 below.
2 Includes exceptional items (property costs, restructuring costs, impairment charges) and other non-underlying items of amortisation of intangible assets (excluding software) and the impact of non-cash foreign currency adjustments under IAS 39 and IAS 21 as set out in note 6 to the consolidated financial statements.
3 International stores are owned by franchise partners, joint ventures and associates.
4 Restated for amendments to IAS 19.

Shareholder information

Shareholder analysis

A summary of holdings as at 28 March 2015 is as follows:

	Mothercare ordinary shares	
	Number of shares million	Number of shareholders
Banks, insurance companies and pension funds	94,202	2
Nominee companies	147,140,236	521
Other corporate holders	18,656,836	80
Individuals	4,577,746	22,100
	170,469,020	**22,703**

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.

Share price data

	2015	2014
Share price at 28 March 2015 (29 March 2014)	**206.50p**	189.00p
Market capitalisation	**£352.0m**	£167.9m
Share price movement during the year:		
High	**237.28p**	493.00p
Low	**108.79p**	187.00p

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 on 17 August 2000 for the purpose of allocating base cost between such shares and the shares disposed of as a result of the reduction is 135p.

Rights issue and TERP

On 23 September 2014 the Company announced a proposed rights issue of 9 for 10 ordinary shares at 125p per new ordinary share. The theoretical ex-rights price ('TERP') between 24 September and 9 October 2014 (being the last day the ordinary shares were traded cum rights) was 178p.

Immediately before the rights issue, the issued share capital was 88,824,771. 79,942,294 new ordinary shares were issued on 27 October 2014. The total issued share capital immediately following the rights issue was 168,767,065.

Registrars and transfer office

Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

Financial calendar

	2015
Annual General Meeting	23 July
Announcement of interim results	19 November
	2016
Preliminary announcement of results for the 52 weeks ending 26 March 2016	end May
Issue of report and accounts	mid June
Annual General Meeting	mid July

Registered office and head office

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

Group general counsel and company secretary

Tim Ashby

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:

Equiniti Limited
Aspect House, Spencer Road, Lancing,
West Sussex BN99 6DA
Telephone 0871 384 2013
Overseas +44(0)121 415 7042
www.equiniti.com

Postal share dealing service

A postal share dealing service is available through the Company's registrars for the purchase and sale of Mothercare plc shares.

Further details can be obtained from Equiniti on 0871 384 2248 (calls to this number are charged at 8p per minute plus network extras). Lines are open 8.30 am to 5.30 pm, Monday to Friday.

Stockbrokers

The Company's stockbrokers are:

JP Morgan Cazenove & Co
25 Bank Street
Canary Wharf
London E14 5JP
Telephone 020 7742 4000

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT
Telephone 020 7260 1000

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, Equiniti Limited.

Further information about ShareGift is available from www.sharegift.org or by telephone on 020 7930 3737.

Notes

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