

2019

Annual report and accounts

mothercare
welcome to the club

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Mothercare

Our aim is to meet the needs of mothers-to-be, babies and children up to pre-school age. Our clothing & footwear product includes ranges for babies, pre-school 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 the ELC and other third party ranges.

STORES

UK – in town: **12**

UK – out of town: **67**

International partners: **1,227**

At a glance and financial highlights

(total including continuing and discontinuing operations)

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

Worldwide sales*

£1,071 million (7.9)%¹

Group sales

£566 million (13.5)%¹

Adjusted loss**

£(11.6) million (604.3)%¹

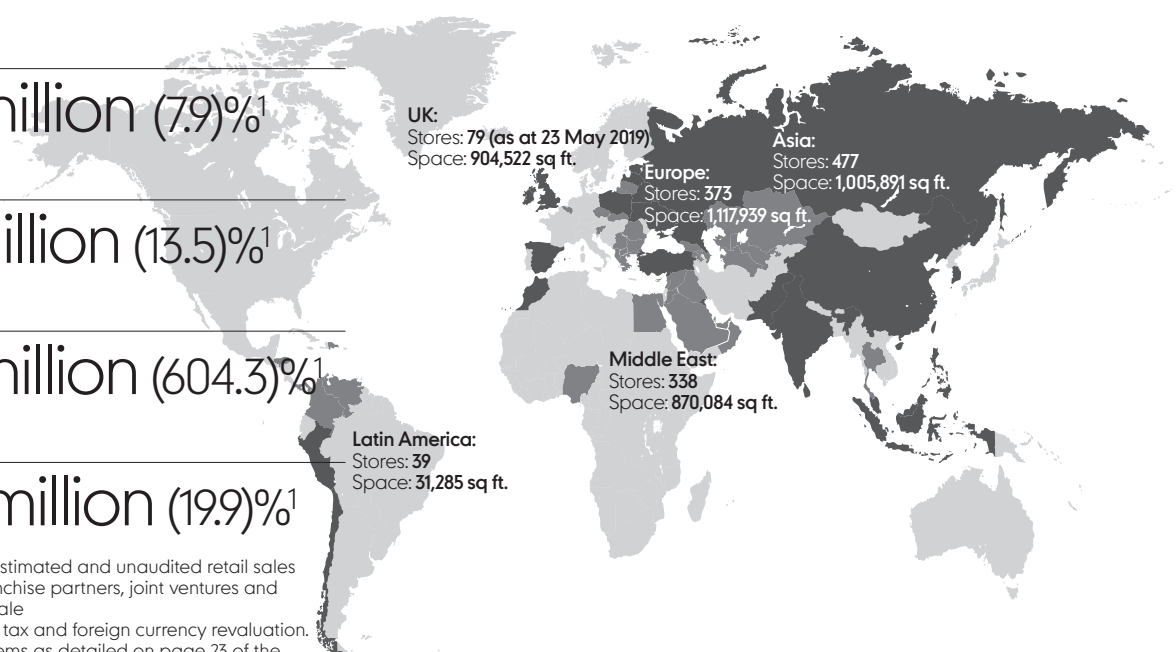
Statutory loss

£(87.3) million (19.9)%¹

* Total UK sales plus estimated and unaudited retail sales achieved by our franchise partners, joint ventures and international wholesale

** Adjusted loss before tax and foreign currency revaluation. Excludes adjusted items as detailed on page 23 of the financial review

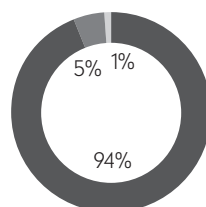
¹ Percentage change versus last year



Worldwide sales

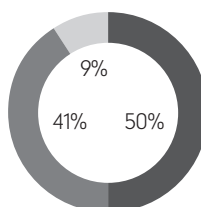
International

- Stores
- Online
- Wholesale



UK

- Stores
- Online
- Wholesale



Interim Executive Chairman's Statement

A combination of our efforts, to galvanise all available resources over the last year, has bought us the time to address the impact of the ongoing trends within the UK retail sector and to concentrate upon our vision to be the leading specialist global brand for parents and young children.



What a difference a year makes

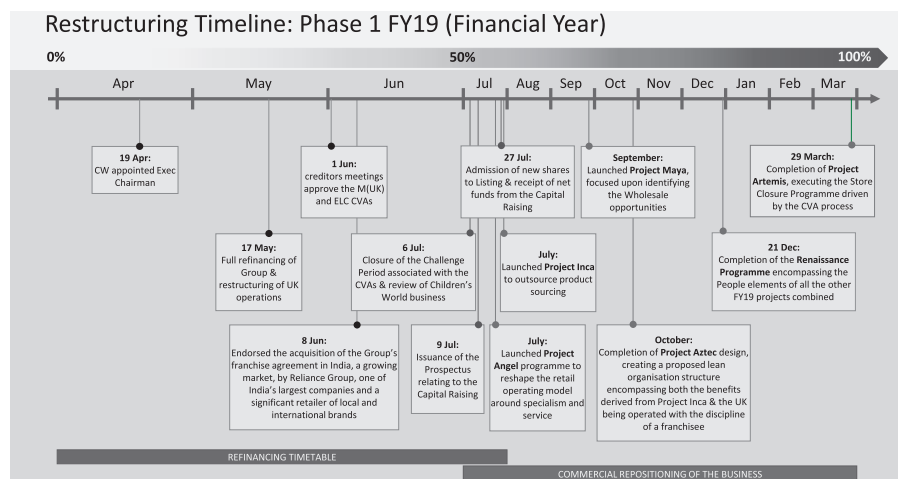
It is not an overstatement to note that just one year ago we began our return to financial health, emerging from a period of acute financial distress, notwithstanding the ongoing trading difficulties experienced in the UK retail business, which threatened to engulf Mothercare plc.

At the outset therefore, on behalf of the Board I would like to thank all our stakeholders including shareholders, financiers, franchise partners, shareholder loan note subscribers, pension trustees, the Pension Regulator, landlords and

employees alike, whose support we harnessed in the month following my appointment. Their contribution was crucial to the Capital Refinancing Plan and UK Restructuring package launched on 17 May 2018, ultimately providing funding of £1175 million in aggregate.

This support was predicated upon our demonstration of clear evidence of a coherent strategic plan to revitalise the business and, undertaking a comprehensive restructuring package, to deliver a root-and-branch review of every facet of the business.

Restructuring Update



I am delighted to report that we have tenaciously adhered to the key objectives, first set out in our time-line a year ago:

- the UK store closure programme, was completed at the end of March 2019, three months ahead of plan. This was achieved by the launch of the Company Voluntary Arrangements of our subsidiaries, Mothercare UK Limited, Early Learning Centre Limited and Childrens World Limited: encompassing the reduction in number of stores by c60 to retain a UK store estate of 79, representing a reduction in space of 30%;
- the target cost saving of at least £19 million per annum - from rent reductions, store costs, central overheads and rightsizing the business globally - has been significantly exceeded with an annualised total operating cost saving of over £25 million: we anticipate further cost savings during

the current year, as we move towards greater efficiency;

- we realised materially more cash proceeds, than could have been envisaged a year ago, from the sale and leaseback of the UK head office and the disposal of Early Learning Centre, generating total expected cash of some £26 million, with additional operational cash-flow and commercial benefits likely to accrue thereafter;
- last May we stated that we aspired to be bank debt free by the end of calendar 2019, since when we have been assiduously reducing net debt, greatly assisted by a combination of the initiatives highlighted above: net debt was £6.9 million at 30 March 2019, providing the financial flexibility and resources, assuming the ongoing support of our relationship banks and other stakeholders, to deliver our core strategic aims.

Interim Executive Chairman's Statement

continued

Whilst as a management team we now have clarity of purpose, are demonstrably agile and transactionally astute, there remains much to do and although we have successfully stabilised the business this was not without cost to the reported results last year. Indeed, we continue to face numerous challenges, with the headwinds within the UK retail sector showing no sign of abating, leaving no room for complacency, as detailed in the Chief Executive's Review that follows.

What has not changed

We are fortunate to retain several attractive core characteristics, which we intend to build upon, including:

- Mothercare is a globally recognised specialist brand that stands for trust and quality;
- a constantly renewing prime customer base of new parents - with over 300,000 first time births annually in the UK alone - which has minimal seasonality and significantly more in our international markets;
- leading market shares in certain key product areas, alongside a high proportion of exclusivity from branded suppliers, to whom we are frequently their largest customers;
- a very high degree of operating annuity within our international revenue stream, driving capital light expansion from less moving parts, where we are encouraging further growth from what represents over two thirds of our worldwide sales.

What went wrong?

As highlighted, our priority last year was to stabilise the business. However, shareholders deserve an explanation of the events leading up to the acute short-term cash flow problems and significant diminution in shareholder value suffered in the first half of 2018.

Ultimately, the rapid deterioration in the Company's trading performance through the autumn of 2017 was exacerbated by the necessity to run the business for cash, in order to operate within the Group's then available financing facilities, whilst simultaneously having to bear a mounting burden of professional costs that threatened to inundate the business.

However, 20/20 hindsight reveals an acceleration of events over an extrapolated time period:

- whilst the business had invested approximately a third of its fund raise in 2014 to play catch-up and to modernise its UK store base and its digital capabilities, it did so without the knowledge that the UK would see an unprecedented slow down. Despite an already aggressive store closure programme, the reduction in sales and margin during 2017/18 left the business with a cost base simply too high to support, which led directly to a widening imbalance between total expenses and sustainable revenues;
- the difficult situation was further fuelled by a fracture in the relationship between the non-executive and operating executives, a break-down in trust with key shareholders and the appointment of an array of increasingly expensive professional advisers.

As detailed in the fund-raising Prospectus issued on 9 July 2018, £6 million of advisory costs had already been committed during Feb/April 2018 to which was added to the £4 million cost of the Capital Refinancing Plan, implemented during May/July 2018 with the assistance of our new advisory team. In fact, had the recast Board not acted decisively in curtailing professional costs in April 2018 and, more importantly, bridged the disconnect between our relationship banks and our equity providers, these costs alone could have rendered the business unsalvageable.

We remain determined to differentiate Mothercare as a text book recovery case, in parallel demonstrating that boards can and should foster a greater alignment between their debt and equity providers.

Management and Board changes

When we announced the refinancing initiatives last May we recognised the need for strength in depth at Board level, in both retailing and change management skills, to deliver the challenging turnaround and UK restructuring.

This change process led to a significant number of roles being made redundant, affecting all colleagues and at all levels and contributing to a reduction in total headcount of a quarter. Indeed this programme was weighted towards the senior leadership team, which has been reduced by a third. In addition, all key

executives agreed to voluntary reductions to both contracted pension benefits and notice periods which now no longer exceed six months.

Accordingly, we believe that we now have a PLC Board which is appropriate for a company of our size and nature, and which interfaces highly cohesively with the operating board. Furthermore, we are fortunate to have Non-Executive Directors with deeply embedded and relevant skills who have contributed directly to the change process. Therefore, I remain on course to step-back to a non-executive position prior to the end of this year.

As a result, following the completion of the transformation plan, we expect the total PLC Board cost to halve next year, to a level commensurate with a small-cap company.

Strategic outlook

A combination of our efforts, to galvanise all available resources over the last year, has bought us the time to address the impact of the ongoing trends within the UK retail sector and to concentrate upon our vision to be the leading specialist global brand for parents and young children.

The current year should therefore witness the final steps toward completing the transformation of the business including our unremitting efforts to evolve, adapt and optimise the structure, format and model for our UK retail operations within the Mothercare UK franchise, alongside exploring ways to supplement our working capital needs. Throughout we will continue to seek to preserve shareholder value, by wherever possible minimising equity dilution, as we strive to optimise the level of sustainable long-term revenues going into 2021 and beyond. In the interim, we remain on consensus for 2020.

Finally I would like to thank all of our colleagues across the organisation for their hard work in the challenging circumstances witnessed over the last year.

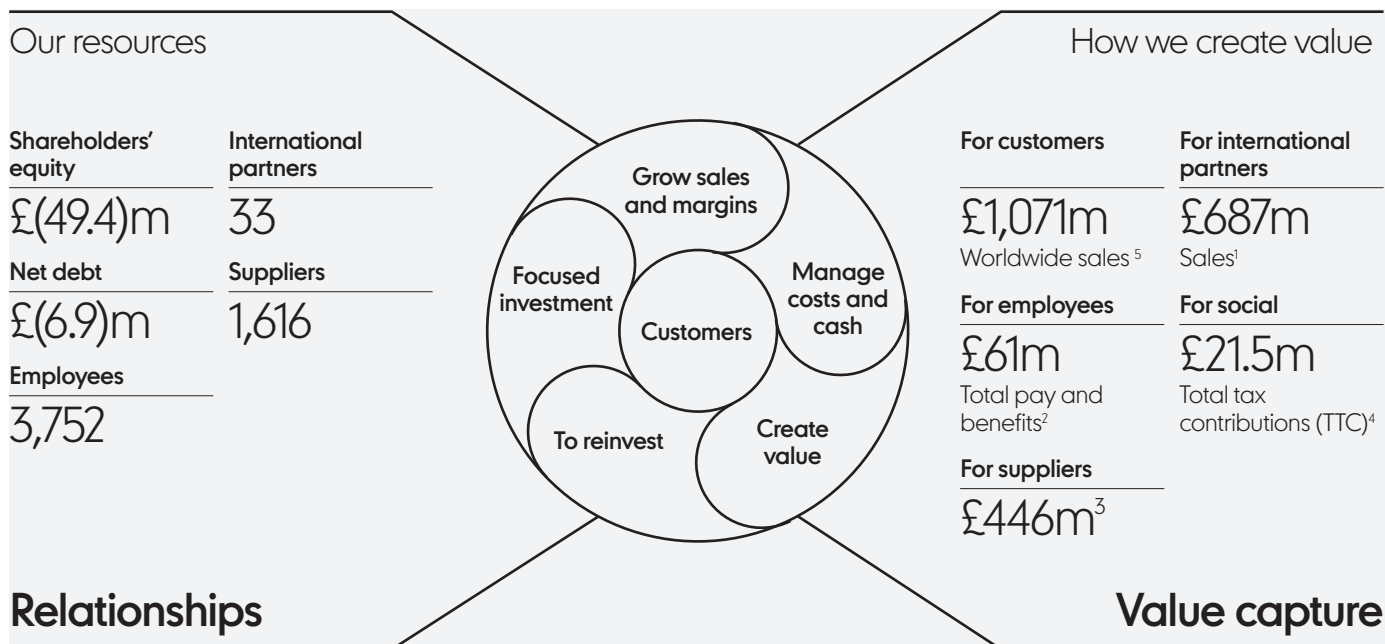


Clive Whiley
Interim Executive Chairman

Business model

(total including continuing and discontinuing operations)

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



1 International partner sales reflect franchise partner sales to end customers (which are estimated and unaudited) plus wholesale sales
 2 Total pay and benefits include payroll costs for stores and head office, share based payments, bonus, and pension costs
 3 Supplier payments reflect total trade payments for goods and payments to suppliers for goods not for resale
 4 Worldwide corporate income tax, VAT and other indirect taxes, employment taxes including NI and customs duties
 5 Total UK sales plus estimated and unaudited retail sales achieved by our franchise partners, joint ventures and international wholesale

What differentiates us

Effective logistics

3	2
Distribution centres	Hubs

Efficient sourcing via third party

Hong Kong based

Full service vendors

239	23
suppliers	countries

The products we offer

Home & Travel

178	4,799
brands	options

Clothing & Footwear

8	2,807
brands	options

Toys

39	689
brands	options

How our customers buy from us

UK stores

12	67
in town	out of town

UK online

45%
of UK retail sales

International

22	1,227
countries online & 4.5% of international sales	stores

Chief Executive's review



Mark Newton-Jones

Chief Executive Officer

RESULTS SUMMARY

A year of major restructuring

Overview

The past year has been a significant one for Mothercare during which, following a difficult period for the business, we have restructured and refinanced the company to ensure the brand has a sustainable future. On a personal note, I was delighted to be asked to rejoin the business in May 2018, albeit within only 43 days of leaving, by the newly appointed chairman Clive Whiley and with the support of our largest shareholders. This has allowed me, the wider management team and our colleagues to continue the transformation we had started back in 2013 and to accelerate its pace.

The year has been dominated by three major areas of focus. Firstly, the capital raise and the refinancing of the group. Secondly, an accelerated restructuring programme which has led to a complete overhaul and reorganisation of the group and a subsequent cost base reduction of over £25 million per year, which is discussed in more detail below. Thirdly, we have continued to manage the UK business in an increasingly difficult retail market, that was further exacerbated by our restructuring and specifically the store closure programme which is now behind us. This backdrop led to both a lowering of customer confidence in our brand and a shortage of product supply to Mothercare UK.

In the early part of the financial year we faced numerous supply shortages as credit insurance was removed and the supply base became increasingly nervous about their commitments to Mothercare. We worked hard communicating with our suppliers to restore their confidence and slowly through the year supply returned to virtually normal levels, despite credit insurance issues. In the most part our supply base had recognised our market leadership and significant share in their products, and that we are the only large-scale true specialist left in the Mum

and Baby sector. Importantly they also recognise that we set out to protect their brands and products from those that would discount it more heavily. We appreciate their support during this past year.

In an extremely busy year, we have taken swift and decisive action to tackle the various issues faced by the business and are now focusing on rebuilding Mothercare, which is covered in more detail below.

Refinancing and store closure programme

In May 2018 we announced a comprehensive refinancing and restructuring of the Group to allow Mothercare to return to a more stable footing, accelerate the transformation of the Group and drive it towards a viable and sustainable future. This included the launch of Company Voluntary Arrangements to restructure the UK store portfolio.

Our shareholders, banks and pension trustees supported the capital refinancing of the Group in July, conditional on the acceleration of the previously announced store rationalisation programme.

This programme allowed Mothercare UK to reduce its store base in the second half of the year to 79 stores, a reduction of 55 stores on the prior year. Without the CVAs it would have taken over four years, through natural lease expiry, to achieve the same reduction in store estate. The 79 stores that remain are geographically positioned so that 95% of the customer base is within a 45-minute drive time of a Mothercare store. Of the 79 stores, 72 stores had already been refurbished, spending c.£20 million in capex over a three-year period.

Sale of the ELC brand and future concession arrangement

In 2007 Mothercare acquired the Early Learning Centre. The toy business represents less than 15% of UK turnover and whilst it has a franchise business the royalty stream derived from this is relatively small. The toy market has become increasingly competitive over the last few years and to

remain ahead of the competition requires both a singular focus in this category and also capital investment in innovation and tooling. During the year we took the view that the ELC brand would be better managed and nurtured outside of our group and in March 2019, we announced the sale of the Early Learning Centre to The Entertainer for £11.5 million (plus £2.0 million of contingent consideration), enabling a further reduction in bank debt and a focus on our core strategic priorities. The Entertainer has been a leader in toy markets for over 30 years and brings all the necessary skills and focus to manage the ELC brand, and importantly they are committed to extensive new product development.

We will continue to sell toys in the Mothercare business and see the category as important, albeit it's a small part of our overall product mix. As part of the transaction we agreed that The Entertainer will run our toy offer both in store and online, using the ELC brand and broadening the range. We will provide the space and in return will receive a commission.

Sale of HQ

We chose to sell the head office site and after numerous expressions of interest we realised a sale for a consideration of £14.5 million, on a sale and lease back basis over a ten-year term, with a three-year break. These proceeds have further helped in our reduction of bank debt.

People and organisational restructure

Whilst we had made organisational changes in the prior year at Mothercare's head office, reducing the headcount by c25%, we recognised that a more radical approach was needed to make the organisation leaner still. We have now completed the reshaping of the organisation into three distinct divisions; Mothercare UK franchise, Mothercare Global Brand and Mothercare Business Services. This new organisational and people structure will create more focus

on the two operating elements of the group, the Mothercare Global Brand and Mothercare UK franchise and should drive efficiency in the Mothercare Business Services division. The subsequent reduction in the head office headcount as a result of this organisational change is c20%.

A new approach to sourcing Mothercare branded products

During the year we embarked on a major overhaul of how we source product. After a successful trial in the previous year we transitioned from running our own sourcing operation with offices in India, Bangladesh, China and Hong Kong to a third-party specialist sourcing agent. Our chosen agent is WE Connor who are Hong Kong based and have operated for 70 years. They have multiple retail clients in the US and the UK. By partnering with Connor we are now sitting alongside their other retailers' volumes and thus we anticipate benefits of scale and lower cost prices in the medium term. An added benefit of our new sourcing approach is a lowering of our cost base. As a direct result we have now closed all six of our overseas offices.

Stock reduction programme

With a strict approach to cash management and a planned reduction in store space we set about reducing the stock holding of the business. This stock reduction programme has reduced overall cash in stock by c£20 million without any material impact on the stock availability for our customers.

Rebuilding Mothercare

Three divisions to create commercial focus

As previously mentioned a major cornerstone of this past year's restructuring is the creation of three operating divisions; *Mothercare Global Brand*, *Mothercare UK franchise* and *Mothercare Business Services* (our support functions). Each division has been set up to have its own operating and leadership team and has clear objectives to improve overall performance.

Mothercare Global Brand – The primary role of this division is to design and then source the Mothercare branded product and distribute this product from factory to each franchise market. The advantage of decoupling the Global Brand from Mothercare UK is that the design of product and importantly the architecture of the range will be tailored for our international markets, as opposed to the historical approach where ranges were designed for the UK and then adjusted for

the predominately warmer international climates we trade in. The first season of operating under this new structure is spring/summer 2020.

In addition to the changes to product design, the Global Brand now produces all the brand marketing materials, including all of the photography and the content for online trading. These marketing assets will be provided to our franchise partners who will then localise language and nuance for their home markets. Effectively we have now started to act as a truly global retailer with the UK treated in exactly the same fashion as any of our other major markets.

The measure of success in the Global Brand will be our ability to distribute more Mothercare products around the world through Franchising, Wholesale and Licensing.

Mothercare UK franchise – As a natural consequence of forming the Mothercare Global Brand we have created Mothercare UK franchise. This important step will instil all the disciplines we see in our franchise partners around the world into the UK business. The UK will independently operate its local market running stores and its website, it will buy Mothercare branded products from the Global Brand and buy locally to supplement the Mothercare range with brands such as Britax, Silvercross, Joie and Bugaboo. This new way of working has already been put in place with the recently formed UK team attending the franchise buying event alongside all of the other global partners.

The UK is the only franchise we wholly own and its primary objective is to become financially viable.

Mothercare Business Services – This division includes Finance, HR, Property and IT. By grouping these functions together, we expect to improve productivity and lower our overall costs. The Business Services division's primary objective is to improve efficiencies and service levels.

International markets and opportunities for growth

We still see much potential across our international markets with growth opportunities in a number of territories through more retail space and by trading online.

We have developed a new franchise partnership in India with the retail division of Reliance Industries, known as Reliance

Brands Limited (RBL). RBL share our ambition for the Mothercare brand across India. Since August 2018 RBL have opened 14 stores taking the total standalone stores in India to 77. Additionally, they have begun a programme to refurbish and modernise the shop in shops in the Shoppers Stop department stores. In total we now have 134 outlets for Mothercare across India. Trading online has also had the same attention with Mothercare recently launching on the RBL platform and also on Amazon India, with the launch of the www.mothercare.in planned for summer of this year.

To support further growth in India and other territories globally we are developing a limited range of lower priced clothing product. This range is pitched to broaden our customer base in emerging economies and allows customers that wouldn't ordinarily be able to afford the Mothercare brand access to it. This new approach to product will enable our franchise partners in several markets to open outlets in tier 2 and 3 cities and thus grow their Mothercare customer base.

In our five largest global markets, China, India, Indonesia, Middle East and Russia, we have seen a mixed performance with growth coming from three of the five territories but with softness in the Middle East. We have seen unprecedented social reform in Saudi Arabia, our largest turnover country in the Middle East, as well as a sales tax at 5% being introduced. The sales tax has also been implemented in Dubai and Bahrain at the same 5% rate. The most significant element of this social change has led to a complete change of work force, as the new governing law stipulates we can only employ Saudi nationals. As a result, we have lost all of the experienced colleagues with an average tenure of 8 years, and have replaced them with a brand new work force who are now learning how to run a Mothercare store.

Vietnam, which has a population of 90 million and an average age of below 30, is our latest new market to open and we have expanded the business now to 6 stores with a further 3 in the pipeline.

Global Digital

Digital sales now represent 5% of turnover in our global brand, this compares with 45% in the UK, clearly indicating further opportunities for online growth globally. In China, where we are represented on the two major platforms T mall and JD.com, we are also now selling on WeChat, the

Chief Executive's review

continued

biggest social media platform in the country.

Mothercare now trades online in 22 countries, the brand is presented on both Mothercare websites and across 36 web platforms including Amazon in India, noon in the Middle East and T mall and JD.com in China. In the year ahead, we intend to extend to another four countries (Saudi Arabia, Taiwan, Vietnam and Greece) and an additional five platforms.

UK Digital

We have seen our UK digital sales stall in the last year and move into decline. There are three factors at play here. Firstly, as we closed stores we have lost the iPad generated sales from the store and the online sales in the catchment around the closure store have declined. The full price product online simply couldn't compete with the discounted clearance product in store. Secondly, we reduced our marketing expenditure to preserve cash as the business became financially constrained. This led to a sharp drop in traffic to the website as we relied on organic search alone and not paid search to bring custom in. Thirdly, we stopped any investment in engineering changes to improve the performance of the website and App. This lack of development in the customer journey has left Mothercare behind its competitors.

For the year ahead we have increased marketing spend online, specifically in the traffic driving activities of paid search, email and retargeting. Many development changes have already been put in place to improve the website performance with a redesigned check out launched and improved product presentation pages driving an improvement in conversion.

Our development focus is very much on mobile and more specifically smart phone. It's worth noting that our mobile mix of sales and traffic is considerably higher than that across other UK retailers. Mobile sales represent 73% of our total online sales and 88% of our web traffic is through a mobile device, reflecting the young and busy 'Mum on the go' that is our core customer.

In addition to the programme of activity to restore growth to our online sales we have also improved the delivery proposition, with full tracking of orders in place and time bands introduced for customers to select from.

Social media now plays an increasingly important role in our brand marketing and online performance. We launched our first social campaign with *#bodyproudmums*, a campaign that featured a number of our customers photographed showing their bodies just a few weeks after child birth. The campaign featured in tube stations across London and was sponsored by Transport for London, it has created significant social noise. The campaign ad was featured in a number of national press titles and also on TV – Lorraine and Loose Women. The campaign was re-posted by celebrities and bloggers and the estimated reach is now at 2.7 million consumers, positioning Mothercare UK as dealing with the reality of child birth and not the airbrushed approach that is often taken.

UK Specialism and Service Initiatives

Over this period of restructuring our focus had moved away from our specialism and service to that of clearing stock, generating cash and closing stores. The store closure programme concluded in the last week of March 2019, with a 55 store reduction leaving the UK with an estate of 79 stores. The closure programme ran for five months and caused significant distortion to our trading numbers, both in our margins and sales performance. There was also a consequential knock on impact of closing a third of the store estate in short order, with customers left not knowing whether it was their local Mothercare that was closing down or indeed the whole business. This undermining of customer confidence led to concerns about buying our products, and affected customers' views of us even in our 'keep' stores, the worry being the Mothercare business may not survive and who would then be there to resolve any after-sales issues. Throughout this period we have tracked the customers' perception of our brand and importantly their propensity to buy from us as a result, the latest view on this research is painting a more positive picture. With more time we believe that the UK customers' confidence in our brand will be restored.

We now look forward to the year ahead as we rebuild the Mothercare brand in the UK and have launched a series of initiatives to improve service and reinforce our specialist credentials in the mum and baby sector. To this end we have increased the base pay of all of our store colleagues to be ahead of the national minimum wage, additionally we have put in place further salary increases for those colleagues that go on to become more highly trained in

product knowledge and service. Our sales colleagues can today complete a series of training modules of which there are eight in total. Two of these are focused on customer service and a further six on deeper product knowledge. After completing their training they can qualify for the additional skills and receive a further salary increase. We believe this approach to training and then reward will both reduce our staff turnover retaining experienced talent but also materially improve our service and specialist knowledge.

Reaching out to all the expectant parents in the UK will become increasingly important with a smaller store footprint and as a result a longer drive time to access one of our stores. Activity in the community therefore becomes even more important. We run expectant parents events several times per year, whereby we reach out using our database, to mums and dads in their third trimester and invite them into one of our stores to meet up with experts from across the Mum and Baby sector. These events are used as an opportunity to give expert advice on everything from safety at home for your newborn all the way through to feeding, nurture and travel. We ran our last events in March of this year which 12,000 expectant parents having attended, encouragingly this was the same level of attendance as last year yet we have 57 fewer stores.

Enhanced credit proposition

For some time we have offered our customers an interest-free option of either six months or 12 months on the more expensive product we sell. Whilst this offer has been in place the take-up has been relatively small. We are relaunching financial services in the business and increasing the ways to pay. From the end of June 2019 we will offer customers a number of interest free credit options; a month's credit, three months' credit or as today 12 months' credit. Importantly these three credit propositions will be available both online and in our stores. Historically we have only offered customers credit in our stores. We see this as an opportunity to capture a broader customer base and further grow sales of our home and travel products. There is no risk of debt to the business as the credit is provided by a third party financial services organisation.

Exclusivity in product

Exclusive product is a key element of our range which we had grown to represent over 40% of our home and travel branded

products. Unfortunately in the last year with the reduction in credit insurance and the subsequent shortage in supply many suppliers restricted our access to exclusivity, this was purely out of their lack of confidence in the business. Exclusivity levels dropped to circa 25%. As confidence has grown in our restructure and financial stability so has the exclusive product, we are now seeing these lines increase and would hope to get back to the previous levels within this next year. Exclusive product is important to us on two fronts, firstly it cannot be matched in price as we are the only retailer selling it and secondly our customers expect something a little more special from the leading specialist in our sector. Product that is exclusive to us will sell at least three times more in volume than the product that is available elsewhere.

Finally

As we emerge from a year of major restructuring and start the rebuild of Mothercare, I'd like to take the opportunity to thank all our colleagues across the business. Without their hard work and commitment the pace of change simply couldn't have happened.

Mark Newton-Jones

Chief Executive Officer

Chief Executive's review

continued

Group results

Performance – total including continuing and discontinued operations

	2019 53 weeks to 30 Mar 2019	2018 52 weeks to 24 Mar 2018 Restated ⁶	% change vs. last year
	£million	£million	
Group			
Worldwide sales ¹	1,071.2	1,162.9	(7.9)%
Total Group revenue	566.3	654.5	(13.5)%
Group adjusted loss before taxation ²	(8.6)	(6.8)	(26.5)%
Group adjusted loss before taxation and foreign currency revaluations ^{2,7}	(11.6)	2.3	(604.3)%
Total Group loss before tax	(87.3)	(72.8)	(19.9)%

Group performance – on a continuing operations basis

	2019 53 weeks to 30 Mar 2019	2018 52 weeks to 24 Mar 2018 Restated ⁶	% change vs. last year
	£million	£million	
Group			
Worldwide sales ¹	948.0	1,020.3	(7.1)%
Total Group revenue	513.8	580.6	(11.5)%
Group adjusted loss before taxation ²	(18.4)	(29.0)	36.6%
Group adjusted loss before taxation and foreign currency revaluations ^{2,7}	(20.4)	(22.6)	9.7%
Group loss before tax from continuing operations	(66.6)	(94.0)	29.1%
Net debt ⁴	(6.9)	(44.1)	84.4%
International			
International like-for-like sales ³	(4.7)%	(5.9)%	
International retail sales in constant currency ³	(0.3)%	(5.7)%	
International retail sales in actual currency ³	(3.9)%	(4.8)%	
Total International sales ¹	611.4	638.8	(4.3)%
Total International reported sales	177.2	199.1	(11.0)%
Adjusted International profit before taxation and foreign currency revaluations ²	28.3	28.8	(1.7)%
UK			
UK like-for-like sales ³	(8.9)%	0.6%	
UK online sales	140.1	152.3	(8.0)%
Total UK sales	336.6	381.5	(11.8)%
Adjusted UK loss before taxation and foreign currency revaluations ²	(36.3)	(40.4)	10.1%

Notes

The Directors believe that alternative performance measures (APMs) assist in providing additional useful information on the performance and position of the Group and across the period because it is consistent with how business performance is reported to the Board and Operating Board.

APMs are also used to enhance the comparability of information between reporting periods and geographical units (such as like-for-like sales), by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the Group's performance.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes and have remained consistent with prior year, except where expressly stated.

The key APMs that the Group has focused on in the period are as set out in the Glossary.

1 – Total International sales are International retail franchise partner sales to end customers (which are estimated and unaudited) plus International wholesale sales. Worldwide sales are total International sales plus total UK sales. International stores refers to overseas franchise and joint venture stores.

2 – Adjusted loss before taxation and adjusted loss before taxation and foreign exchange revaluations are stated before the impact of the adjusting items set out in note 6.

3 – UK like-for-like sales are defined as sales from stores that have been trading continuously from the same space for at least a year and includes online sales. International retail sales are the estimated total retail sales of overseas franchise and joint venture partners to their customers. International like-for-like sales are the estimated franchisee retail sales at constant currency from stores that have been trading continuously from the same selling space for at least a year and includes online sales on a similar basis.

4 – Net Debt is defined as total borrowings including shareholder loans (note 21) and bank overdraft/cash at bank.

5 – This announcement contains certain forward-looking statements concerning the Group. Although the Board believes its expectations are based on reasonable assumptions, the matters to which such statements refer may be influenced by factors that could cause actual outcomes and results to be materially different. The forward-looking statements speak only as at the date of this document and the Group does not undertake any obligation to announce any revisions to such statements, except as required by law or by any appropriate regulatory authority.

6 – Adjusted items in the prior year have been reclassified on a consistent basis for the treatment of foreign exchange differences on the revaluation of working capital and adjusted interest costs, and for the discontinued operations of the Early Learning Centre (note 10).

7 – £11.6 million total group adjusted loss² including discontinued operations before taxation and foreign currency revaluations consists of £20.4 million from continuing operations less £8.8 million from discontinued operations (note 10).

KPIs

Measuring our performance

The Mothercare KPIs are aimed at measuring our performance against strategy. (total including continuing and discontinuing operations)



*Inventory days cover calculation represents the year end net stock at cost value over the annual cost of sales, multiplied by 365. Prior year metrics have been restated to align to this methodology.

Introduction

Our approach to Enterprise Risk Management

Overview

Mothercare Plc is a global business operating in a challenging retail environment, with consumer confidence fragile and changes linked to Brexit imminent. Mothercare's Supervisory and Governance Board views Enterprise Risk Management (ERM) as an essential discipline in achieving the Company's objectives within this challenging environment. ERM is paramount to our brand values and continually being embedded into our culture. Our attitude to risk is all-inclusive.

The Supervisory and Governance Board assumes overall responsibility for ERM with special focus on determining the nature and extent of principal risks it is willing to take to achieve its strategic objectives. The Supervisory and Governance Board monitors and reviews the effectiveness of internal controls within the Company. It also sets our risk appetite, as required by the UK Corporate Governance Code, and articulates the acceptable amount of risk within which our Company operates.

The Supervisory and Governance Board annually reviews the Company's risk management strategy to ensure it aligns with our ongoing needs. This is especially key during this period of transformation for Mothercare and the considerable changes underway within the retail market environment.

Risk Appetite

The Supervisory and Governance Board sets Mothercare's risk appetite, which governs the amount of risk that we deem acceptable to take in achieving our objectives. Our risk appetite provides direction for the business in making appropriate measured, risk-aware decisions. Our risk appetite levels are summarised below by type of risk:

Risk Appetite	Type of Risk
High Tolerance	<ul style="list-style-type: none"> • Strategic risks • Operational and transformational risks • Key strategic project risks
Medium Tolerance	<ul style="list-style-type: none"> • Macro-economic risks • Geo-political risks
Low Tolerance	<ul style="list-style-type: none"> • Health & Safety risks • Manufacturing risks • Bribery & slavery risks • Regulatory and compliance risks • Brand reputational risks

Governance

The Supervisory and Governance Board has overall oversight of ERM for the business, supported by several groups including the Audit & Risk Committee, Operating Board and Risk Committee (also see page 38 of this annual report):

- the **Audit and Risk Committee** oversees the effectiveness of robust enterprise risk management and internal control systems and processes. It is accountable to, and fully supported by, the Supervisory & Governance Board.
- the **Operating Board** delivers the Global strategy and manages reputational, financial and operational risk. It places risk on the agenda quarterly to debate our Principal Risks and identifies any movement in risk scores, after management actions and their effectiveness have been taken into account. Any risk not adequately mitigated by management actions is returned to the Risk Committee (see below) for further evaluation and allocated to the appropriate senior manager for additional improvement.
- the **Risk Committee**, comprising company directors and other Senior Leadership Team members across the three divisions (UK, Global Brand and Business Services) and Plc level, supports the Operating Board in identifying, monitoring and managing emerging risks across the global Company business operations. The Risk Committee meets monthly and calls upon experts from around the business to advise on specific matters as required. Emerging risks, and Brexit, GDPR and cyber risks are rolling agenda items. Time is dedicated to exploring the potential business impacts these risks, mitigating actions and any requirements to escalate the risks to the Operating Board.

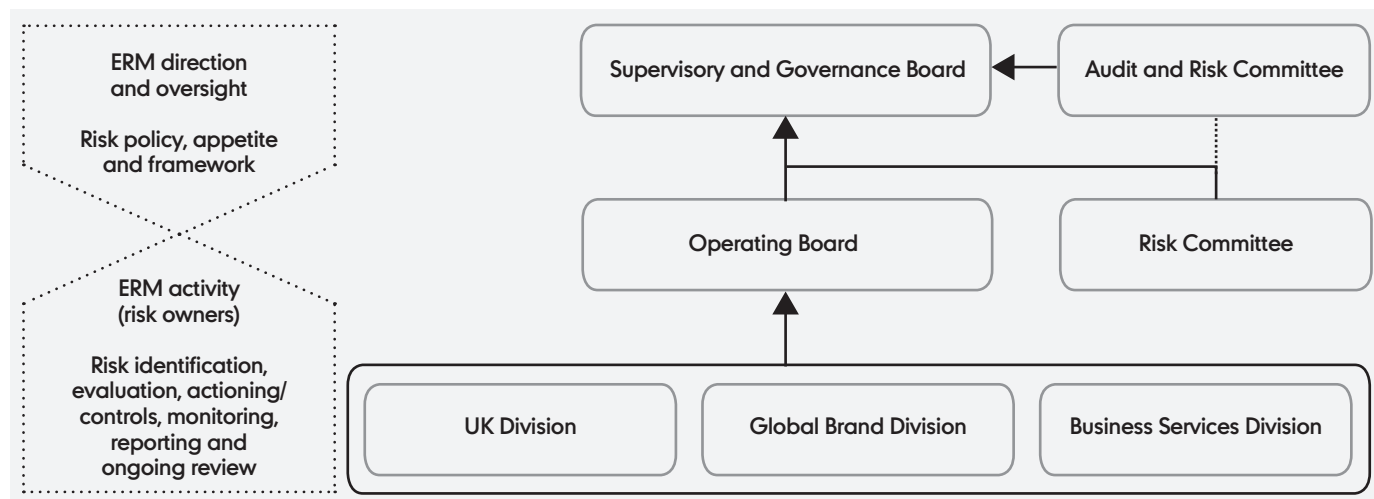
The Supervisory and Governance Board challenges our Operating Board to continually evolve ERM and its governance. The presence of several Operating Board members on our Risk Committee gives visibility and seniority to the group to discuss key risks and emerging issues.

Introduction

Our approach to Enterprise Risk Management continued

The diagram below illustrates Mothercare's Risk Management structure following the reorganisation during the second half of 2018/19.

Mothercare risk management structure:



Enterprise Risk & Internal Audit Team

Mothercare has a dedicated Risk & Internal Audit Team working to embed ERM and assurance activities into the global business. This team is led by the Head of Risk & Internal Audit with dedicated professionals within the remit of:

- o **Internal Audit** – sitting at the third line of defence, our Internal Audit function provides independent, objective assurance across the Company, checking the effectiveness of controls in place. Internal Audit has a Plc-wide remit, including auditing our global partners as well as UK-specific Auditors, who are tasked with leading on key investigations, disrupting global counterfeit goods sales via online marketplaces and conducting store audits to check compliance to company policy, including regulatory requirements.
- o **ERM** – working to fully embed risk management across our Company, fostering a risk-aware culture and actively working with the business (via risk workshops and ongoing support) to identify key risks and mitigations which may affect our ability to achieve our objectives, and developing robust risk reporting.
- o **Business Continuity and Planning** – helping departments prepare suitable plans to effectively respond to any unexpected events, and performing scenario rehearsals to test robustness of those plans.

Mothercare also has an experienced Incident Management Team supported by a business continuity plan to enable them to react, adapt and respond quickly to an incident.

2018-19 ERM Activity

The primary focus during the year was on reducing the overall level of our Principal Risks, particularly in light of the transformation of our business and the continuing evolution of the retail market. These risks were central to Risk Committee discussions and activity during the year, with mitigating actions closely tracked to ensure their realisation and effectiveness.

Two key working groups continued to support ERM initiatives in 2018/19, given the quantum of change that continues to be involved: a **Brexit Working Group** and a **GDPR Working Group** which have been running since the previous year to facilitate management and tracking of progress against key actions to meet Brexit and GDPR deadlines, with escalation via the Risk Committee.

- o **Brexit** – has not led to any separate Principal risks but is likely to place a strain on our business that could impact our existing risk profile. These include: product regulation changes, such as labelling requirements; changes in VAT and new tariffs; and currency fluctuations and supply chain delays. All of which could have near to medium term operational and financial impacts. The risk of a shortage of migrant labour is in part mitigated by the outsourcing of our distribution centre to DHL, with whom we have contractual service level agreements in place. Mothercare has been actively monitoring all business risks linked to Brexit and establishing mitigations where possible, while also seeking to identify any opportunities that may arise from exiting the European Union.
- o **GDPR** – as an outcome of the GDPR Working Group and Risk Committee discussions, a Data Retention Policy was refreshed to ensure all data kept by the Company, including customer, personnel, and supplier, is appropriately managed in alignment with the new rules and that our customer, employee, and third party data is adequately protected.

Our ongoing improvement plans include detailed ‘deep dives’ on each of the Company’s principal risks, which are presented to the Risk Committee for consideration and any support required. At each of these deep dives, the Risk Committee challenges the nature and description of the risk for Mothercare, the effectiveness of management actions in reducing risk, and considers whether the risk level remains acceptable against Mothercare’s risk appetite. Each top risk is covered at least annually.

Separately, risk workshops were conducted across all new business divisions to reflect the changing landscape and risk profile of Mothercare following its reorganisation. The outputs include refreshed risk registers for each team reflecting their objectives and challenges to achieving these. The ERM team also provided key support to the Senior Leadership Team in developing priority plans for the business following the reorganisation, using a risk-based approach.

Principal Risks and Uncertainties

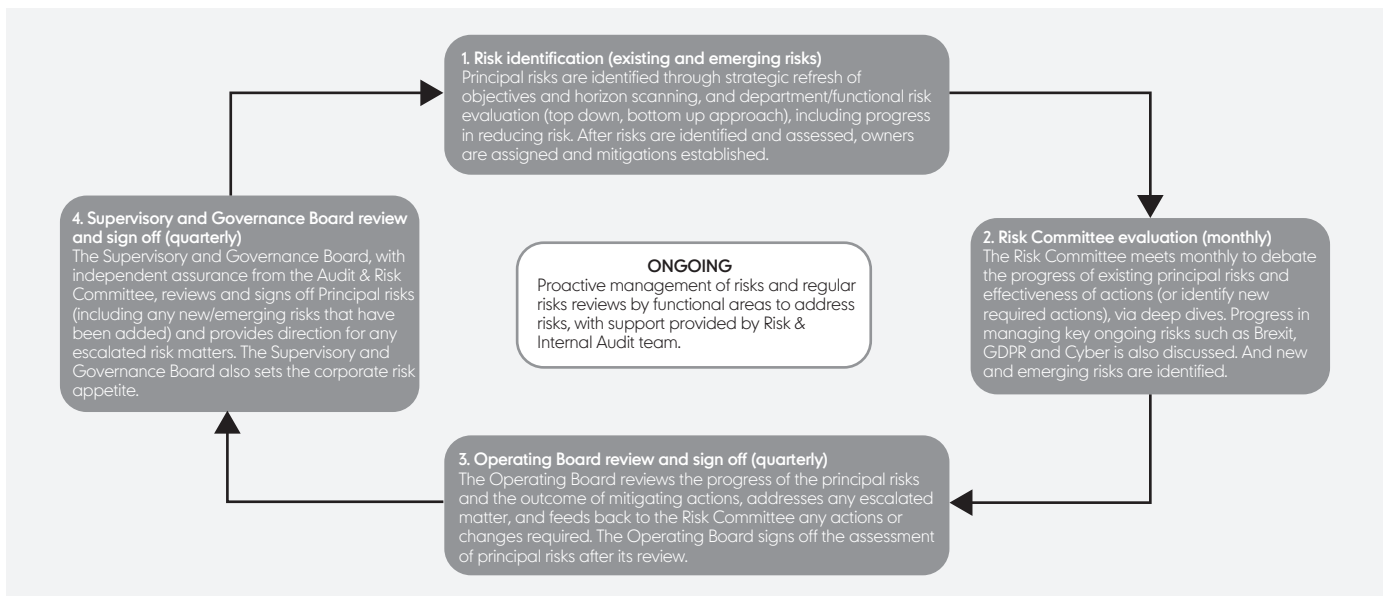
Mothercare has 11 Principal risks, defined as those risks with a High or Very High overall rating after taking into account existing mitigating controls and their effectiveness. These risks are based on internal and external factors including falling footfall in stores; faltering consumer confidence; evolving consumer trends and demands; increasing competition; technology risks, including cyber threats and tighter data regulations; fluctuations in the pound and an uncertain political and economic environment linked to the UK’s impending departure from the EU by October 2019; and risks relating to Mothercare’s own transformation and the reorganisation during the year.

The Company has set clear objectives aligned to our Vision, Pillars and Priority Plans supporting our corporate strategy. Our principal risks are considered against this vision.

Enterprise Risk Management Process

Mothercare evaluates risks by determining the severity, the velocity and the probability of all identified risk events. Risks are then evaluated, appropriate mitigating actions agreed with timelines, and senior management owners assigned. Risks are then continually monitored and reviewed.

The diagram below explains our key steps. This process ensures a consistent approach to the assessment of risk across the business and is supported by the Risk and Internal Audit function.



Introduction



Our approach to Enterprise Risk Management continued



Principal Risks – What changed during 2018/19?

Our Principal risks are listed below. We actively monitor these risks to protect, stabilise and grow our Company.

Most of our risks moved sideways during the financial year. Two of our risks – Brand and Reputation; and Personnel and Talent – were considered to have increased (worsened) due to the significant changes relating to the reorganisation and Company Voluntary Arrangement (CVA). A detailed assessment of our risks and their movements is detailed in the table below:

Principal Risks 2018-2019



No.	Risk description	Impact	Mitigation	Change on last year
1	<p>Liquidity and cash management</p> <p>Current trading challenges does not deliver cash. Failure to control cash management may result in breaches to banking covenants and forced administration. A lack of cash impacts our ability to invest in our six pillars and meet our strategic intentions.</p> <p>Volatility in exchange rates could result in a fluctuations in cost prices as a result of exposure to US Dollars on trade purchases.</p>	<p>Current retail trading challenges may impact full price sales and result in margin squeeze, impacting our ability to generate cash.</p>	<ul style="list-style-type: none"> • Focus on liquidity management. • Disposal of non-core assets including our head office building in Watford (sale and leaseback) and ELC. • Hedging (both via policy and natural hedging) in place to help minimise any short-term volatility, however there have been no additional hedging contracts entered into in the last financial year. • Focus on cost rationalisation, with tightening of spend controls and leaner structure following reorganisation, including closure of unprofitable stores. • Sourcing activity is now managed via WE Connor, to support improvement in cost prices and margins, and thus support our cash position further. • Cash Committee meets regularly to review and safeguard the cash position of the Company with increased scrutiny on spend. • Store closures completed to optimise cash savings and recent reorganisation to minimise costs. • Sale of ELC to TEAL has decreased costs and provided a cash injection. • Lower rents are in place following the completion of the CVA and refinancing. • Ongoing work with shareholders and franchise partners around royalty payments and terms. • Finance departmental risk register in place with mitigating actions monitored regularly. 	
2	<p>Brand and Reputation</p> <p>An inability to manage our Brand could hinder our ability to increase customer and market confidence in our Company, and thus affect our ability to achieve our transformation goals.</p>	<p>Whilst a standalone risk 'reputation' is also the potential consequence of each of the risks identified and is therefore one of our top principal risks.</p> <p>Our brand could be impacted by:</p> <ul style="list-style-type: none"> • product failures and/or ineffective management of product incidents • public scandals relating to our supply chain • inappropriate behaviours • data breaches • health and safety incidents. 	<ul style="list-style-type: none"> • Our Global Code of Conduct training is required to be completed annually by all Mothercare colleagues. • Targeted streamlining in the number of products we sell, enabling further strengthening of quality measures in place. • Our required high standards are communicated throughout our supply chain with regular reviews and grading of 3rd party audits and semi-announced factory visits. • Responsible Sourcing (RS) audits are completed annually. • All Mothercare suppliers and franchise partners are asked to comply with our RS Handbook – Compliance Standards. • The Company participates in the Bangladesh Safety Accord. • Significant group investment in product quality management resource. • Focus on pre-despatch quality checks. • Established product recall process managed by the Group Incident Management team. • Group trademarks are formally logged in country of operation. • Proactive enforcement of Intellectual Property rights. • New ad campaign to reinforce Mothercare's position as a leading retailer for new mums. 	

No.	Risk description	Impact	Mitigation	Change on last year
3	<p>Competition and customer experience</p> <p>Our pricing strategy may not allow us to respond to changing customer needs and we may not be competitive against other large players who can beat our prices as 'loss leaders' in the market.</p> <p>Failure to provide the right customer experience and/or adapt to the changing retail industry may lead to a loss in market share and damage our Brand.</p>	<ul style="list-style-type: none"> We are unable to be competitive against other large players who can beat prices as 'loss leaders' in the market. We may not be able to have an effective strategy to keep pace with trends, exclusivity/differentiation and customer demands potentially resulting in a loss of market share and negative impact on profitability. Our marketing mix isn't as adaptable as it could be (product, price, place and promotion). We are unable to match customer habits regarding shopping convenience. We may not provide the right shopping experience for our customers. 	<ul style="list-style-type: none"> Executive objectives to monitor our pricing strategy are in place. Work with suppliers to ensure we can provide the best price for our product. Clear price ranges in place for products in the 'good', 'better' and 'best' categories, with defined value propositions for each. Enhancements to our order fulfilment and delivery process. Investment in our continuing stores and colleagues, and bolstering of our specialist advice and services, to provide a unique and specialist shopping experience to customers. Improved customer propositions include credit finance options with a 3rd party, personal shopping experiences, online booking of specialist services, Expectant Parent Events, online parenting groups with the '2am club' and other activities in our stores. Increased promotional activities both online and in stores. 	
4	<p>International markets and franchisee model</p> <p>Inability to influence international growth, impacted by external factors and a historical franchisee model that may not fit with the Group's strategic objectives.</p>	<p>A lack of ability to influence international growth may result in:</p> <ul style="list-style-type: none"> economic downturn and poor international sales reduced profit and increased international debt pricing challenges long term profitability 5 to drive fails resulting in a need to revisit international strategy key international partners pull out of Mothercare (i.e. Alshaya) franchisee partner relationships deteriorate due to push back against increasing Mothercare control and cost model declining birth rates in key markets political unrest/regional conflict and uncertainty in international markets and potential disruption to supply fixing long term historical / legacy issues could prove costly. <p>Potential impact on Brand and reputation (see Risk 2).</p>	<ul style="list-style-type: none"> Continued focus on our '5 to drive' markets to grow our business in key strategic countries and regions. Improved commercial agreements and disciplines continue to be implemented. Identification of different entry points to market. Additional monitoring of international revenue has taken place during the financial year. Relationship management improvements are in place An increase in internal audits of international partners has taken place during the financial year. 	
5	<p>Transformation strategy and impact</p> <p>The Group's transformation and restructure does not result in expected benefits relating to our operational objectives. The loss of key talent pre, during and post restructure could result in reduced effort and morale, negatively impacting on our ability to achieve our strategic objectives. Redundant colleagues may leave the business with negative sentiment about the company. The new business structure may not deliver expected benefits or be fit for purpose.</p>	<p>The potential for the business to be consumed with the restructure and transformation that business as usual activities and the ability to meet our strategic objectives are impacted.</p> <p>There is a potential for a lack of effort in the organisation post-reorganisation and that work will continue to go on as is. This means inefficiencies may not be cleared from business as usual activities.</p> <p>Capacity and capability impacts could hinder operational objectives.</p> <p>A potential lack of focus could lead to transformation scope creep.</p>	<ul style="list-style-type: none"> Operating Board oversight of our transformation plan. The transformation is complete and our new organisational structure is in place. Tactical projects are also in place to support, including people plans to improve talent and succession, and cost reduction/identification of efficiencies. Priority plans have been created and risk rated to support the new organisational structure and activities required to sustain it. 	

Introduction

Our approach to Enterprise Risk Management continued

No.	Risk description	Impact	Mitigation	Change on last year
6	<p>Supply chain and 3rd parties</p> <p>A supply chain failure of both inbound and outbound goods could impact the supply of products and our ability to trade.</p> <p>Brexit impacts result in delays to our supply chain.</p> <p>Failure to place contracts with new suppliers impacts our ability to improve stock channels, sourcing hubs and achieve logistical efficiencies.</p>	<p>Potential failure or disruption of our supply chain or loss at one of our warehouses could result in supply of goods restrictions and an impact on stock channels to stores/customers.</p> <p>Potential safety messages on sleep/travel systems not suitable.</p>	<ul style="list-style-type: none"> Strategic review of supply chain complete. Partnership with W E Connor. Review of our supply chain from a Brexit risk perspective, by our Brexit Working Group. Business continuity plans are being updated across the Company in alignment with the new structure and prioritisations being confirmed. 	
7	<p>IT Systems</p> <p>A failure of our IT infrastructure or dependent legacy IT systems could result in the loss of our ability to trade. Any potential attack or failure of our systems could result in EPOS, merchandising and warehousing downtime, affecting our trading capabilities.</p> <p>Additionally, a failure of our digital platform or poor speed/navigation in the order process could result in lost trade and impact our market share and reputation.</p>	<p>A failure of our IT infrastructure or dependent legacy IT systems could result in the loss of our ability to trade. Any potential attack or failure of our systems could result in EPOS, merchandising and warehousing downtime affecting our trading capabilities.</p> <p>Additionally, a failure of our digital platform or poor speed/navigation in the order process could result in lost trade and impact our market share and reputation.</p> <p>To grow our business, we need to embrace developments in technology, however our current systems hamper our ability to do so. Additionally, our reliance on legacy systems results in a need to maintain knowledge of those systems.</p>	<ul style="list-style-type: none"> Continual monitoring of our IT landscape against risk indicators. Additional screening of email traffic and firewalls. Security projects in place include vulnerability scanning upgrades and systems analysis upgrades to allow Big Data analytics. All systems are RAG rated, monitored and actions are in place to reduce risks, where practical, to an acceptable level. Refreshed policies and procedures in place, including Cyber Security. All major projects and programmes have continual monitoring against rigorous project management requirements and have Senior Management oversight. Tactical projects are monitored against rigorous project management requirements. A General Data Protection Regulation (GDPR) implementation plan ensured the changes required to our IT estate, and updating of Data Retention policy to align with new regulations. Access controls review conducted to ensure appropriate access to systems around the business. 3rd party project in progress to tighten access controls across the Group. 	
8	<p>Product safety</p> <p>A product safety incident takes place resulting in damage to our brand and reputation (refer Risk 2).</p>	<p>Suppliers not adhering to agreed quality assurance standards.</p> <p>Potential safety disaster on an H&T product, Toy product or clothing.</p> <p>Clear product safety messages on products.</p> <p>Real-time impact on reputation via social media networks.</p>	<ul style="list-style-type: none"> Acceptable quality levels are in place with all suppliers and tested during audits. Social media policy in place. External communication advisors are in place. 	
9	<p>Political climate and uncertainty</p> <p>The impact of Brexit on our business is currently unknown. Expectations are that there may be increased costs, inflation, higher taxes and lower incomes resulting in a spending squeeze.</p>	<ul style="list-style-type: none"> External factors such as trade deals and agreements may impact on our import and export of goods. Consumers continue to be more 'price sensitive' to changes with additional Brexit uncertainty. Potential for interest rate rises and economic downturn which may impact consumer spend. Impact on stock market pressures, resulting in short-termism. 	<ul style="list-style-type: none"> A Brexit Risk Register is in place, with risks and opportunities monitored by our Brexit Working Group monthly. Horizon scanning conducted across all areas of risk, including Brexit. Improving our customer experience is a strategic focus for the Company, with investment being made in all channels to highlight our specialism in industry. 	

No.	Risk description	Impact	Mitigation	Change on last year
10	<p>Regulatory and Legal</p> <p>A failure to comply with increasing regulatory requirements could result in damage to our Brand and reputation (refer Risk 2), fines or impact our ability to trade.</p>	<ul style="list-style-type: none"> Increasing regulatory pressure (GDPR, EUTR) requires additional reporting, costs and takes focus off trade. Minimum wage increases impacts on costs. Ability to ensure we meet regulatory requirements both in capability and system ability. Security breach of customer database could result in privacy issues (fines etc) and a lack of customer trust. 	<ul style="list-style-type: none"> Our Global Code of Conduct training is mandatory for all colleagues and required to be completed annually. Anti-Bribery and Corruption training has been rolled out to all colleagues and additional training given to those in higher risk areas. Audits are carried out to check compliance with legislation, such as Health and Safety matters. Non-compliance is investigated and would result in disciplinary action. 	
11	<p>Personnel and talent</p> <p>Failure to attract, retain, motivate and progress our top talent could lead to high attrition rates and an inability to meet our strategic intentions.</p>	<ul style="list-style-type: none"> Attraction and retention of top talent is challenging in the current climate. Our restructure impacts may result in the loss of talent. Benefits and incentive plans may not deliver employee needs resulting in high attrition rates. Potential for executive burn out due to transformation programme, financing activity and challenging trading conditions. 	<ul style="list-style-type: none"> Significant investment in stores to train more of our Customer Service Advisors to be true specialists. Investment in our HR team to include key areas of growth for colleagues, including talent retention, training and development and succession planning. Re-invigoration of Company benefits. Improved recruitment processes are in place. Standardised contracts are in place. Industry benchmarking took place this financial year to check that our remuneration is appropriate for our Company. Performance-related bonus pay is in place for 2020 and open to all employees. 	

Financial review



Glyn Hughes

Chief Financial Officer

RESULTS SUMMARY

Group adjusted loss before taxation was £18.4 million for the 53 weeks to 30 March 2019 (2018: £29.0 million loss²). All results are presented on a continuing operations basis unless otherwise stated.

The Group recorded a pre-tax loss of £66.6 million (2018: £94.0 million loss²), which included adjusted items of £48.2 million (2018: £65.0 million²).

During the course of the year, the Directors introduced a new profit measure of Group adjusted loss before taxation and foreign currency revaluations³ (see note 2), to remove foreign exchange volatility from the underlying performance of the business. Group adjusted loss before taxation and foreign currency revaluations³ was £20.4 million for the 53 weeks to 30 March 2019 (2018: £22.6 million loss²).

Adjusted items are analysed below and include costs relating to announced activity on store closures following the Company Voluntary Arrangements (“CVAs”) approved on 1 June 2018, costs associated with the refinancing review and equity raise, and further restructuring of the business.

Income Statement – on a continuing operations basis

	53 weeks to 30 March 2019 £million	52 weeks to 24 March 2018 Restated ² £million
Revenue	513.8	580.6
Adjusted loss before interest and taxation	(13.1)	(25.5)
Adjusted net finance costs	(5.3)	(3.5)
Adjusted loss before taxation	(18.4)	(29.0)
Adjusted loss before taxation and foreign currency revaluations	(20.4)	(22.6)
Foreign currency revaluations ¹ (note 2)	2.0	(6.4)
Adjusted loss before taxation	(18.4)	(29.0)
Adjusted costs	(47.3)	(66.7)
Non-cash foreign currency adjustments	(0.9)	2.1
Amortisation of intangible assets	–	(0.4)
Loss before taxation¹	(66.6)	(94.0)
(Loss) / profit from discontinued operations	(20.7)	21.2
Total loss before taxation	(87.3)	(72.8)
EPS – basic	(23.8)p	(54.8)p
Adjusted EPS – basic	(7.1)p	(16.3)p

1. In the prior year the foreign exchange differences on the revaluations of working capital were included in adjusted items. These have now been included in loss before adjusted items in line with industry best practice.

2. The prior year has been restated for the reclassification of ELC discontinued operations (note 10).
3. Adjusted results are consistent with how the business performance is measured internally. Refer to adjusted items table in note 6 for further details.

See glossary for definitions

Results by segment – on a continuing operations basis

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

£ million	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 Restated ² £ million
Revenue		
International	177.2	199.1
UK	336.6	381.5
Total	513.8	580.6

Adjusted (loss)/profit before taxation and foreign currency revaluations

International	28.3	28.8
UK	(36.3)	(40.4)
Corporate	(7.1)	(7.5)

Adjusted loss from operations before interest and foreign currency revaluations

Net finance costs	(5.3)	(3.5)
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Adjusted loss before taxation and foreign currency revaluations

Statutory loss before taxation¹	(66.6)	(94.0)
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Loss before taxation from discontinued operations	(20.7)	21.2
Total loss before taxation	(87.3)	(72.8)

* Adjusted items have been restated on a consistent basis for the treatment of foreign exchange differences on the revaluation of working capital (2018: loss £6.4 million – see notes 2 and 6)

1. A breakdown of statutory loss by segment is shown in note 5 - Segmental information.

See glossary for definitions

Segmental results

International retail sales in constant currency were down 0.3% with challenging economic conditions in some markets impacting performance. Growth across our key markets in Russia, China and Indonesia was offset by underperformance in the Middle East, along with the short-term sales impact from the transition to a new partner in India. With the addition of unfavourable foreign exchange rate movements, the International business achieved an adjusted profit of £28.3 million, a decrease of 2.1% year-on-year. Retail space from continuing operations at the end of the year was 2.6m sq ft from 1,010 stores (2018: 2.5 m sq ft from 962 stores).

UK like-for-like sales declined by 8.9% year-on-year, total UK sales declined 11.8%, with Retail stores sales down by 15.8% and Online sales down by 8.0%. The UK business has been impacted by declining footfall and online sessions driven by macroeconomic factors, as well as challenges around supplier restrictions on stock availability and the impact on the brand from negative coverage of the refinancing and restructuring process announced in May 2018. Store closures driven by the CVAs resulted in additional discounting to clear stock, which has also driven business away from the online full price sales as volumes shifted to closing stores.

UK adjusted losses before taxation and foreign currency revaluations have decreased year-on-year by £4.1 million to £36.3 million (2018: loss of £40.4 million), due to the decline in sales and margin being offset by cost savings throughout the business as a result of store closures and central costs savings following restructures over the last 2 years.

Corporate expenses represent Board and company secretarial costs and other head office costs including audit, professional fees, insurance and head office property costs. Corporate expenses have decreased year-on-year after savings achieved as part of the restructuring activity.

On a continuing operations basis:

£ million	Reported sales		Worldwide sales*	
	53 weeks ended 30 March 2019	52 weeks ended 24 March 2018 Restated**	53 weeks ended 30 March 2019	52 weeks ended 24 March 2018 Restated**
UK retail sales	306.3	349.3	306.3	349.3
UK wholesale sales	30.3	32.2	30.3	32.2
Total UK sales	336.6	381.5	336.6	381.5
International retail sales	170.1	191.3	604.3	631.0
International wholesale sales	7.1	7.8	7.1	7.8
Total International sales	177.2	199.1	611.4	638.8
Group sales/Group worldwide sales	513.8	580.6	948.0	1,020.3

* International retail sales are estimated and reflect the international franchise partner sales.

** The prior year has been restated for the reclassification of ELC discontinued operations (note 10).

Analysis of worldwide sales movement

On a continuing operations basis

£ million – Worldwide sales*	
Sales for 52 weeks ended 24 March 2018	1,020.3
Currency impact	(22.9)
Sales in constant currency for 52 weeks ended 24 March 2018	997.4
Impact of 53rd trading week	16.7
Decrease in International like-for-like sales	(26.3)
Increase in International space	9.7
Decrease in UK like-for-like sales	(28.6)
Decrease in UK space	(20.9)
Worldwide sales for 53 weeks ended 30 March 2019	948.0
Group reported sales for 53 weeks ended 30 March 2019	513.8

* See glossary for definitions

Worldwide sales in 2019 were lower by £66.1 million on a constant currency basis when excluding the impact of week 53, primarily as a result of decreased UK and International like-for-like sales and decreased UK space, offset by the addition of international space.

International worldwide retail sales have decreased by £16.6 million on a constant currency basis when excluding the impact of week 53, driven by a decline in footfall resulting in lower like-for-like sales, offset by the addition of international space.

Financial review

continued

UK retail sales have fallen by £495 million excluding the impact of week 53, mainly due to a decrease in UK space as a result of planned store closures and a decline in footfall in a challenging retail environment. In addition there have been challenges around supplier restrictions on stock availability and the impact on the brand from negative coverage of the refinancing and restructuring process announced in May 2018.

Analysis of profit movement

On a continuing operations basis

£ million – adjusted (loss)/ profit before tax	
Adjusted loss for 52 weeks ended 24 March 2018	(29.0)
Currency impact	(1.4)
Constant currency adjusted loss for 52 weeks ended 24 March 2018	(30.4)
Increase in International volumes	3.8
UK closures of loss making stores	4.9
UK sales and gross margin decline	(8.1)
Decrease in costs	9.9
Depreciation	1.5
Adjusted loss before taxation for 53 weeks ended 30 March 2019	(18.4)
Adjusted profit before taxation from discontinued operations	9.8
Total adjusted loss before taxation	(8.6)

See glossary for definitions

On a constant currency basis (i.e. excluding the currency impact), adjusted loss before taxation decreased to £18.4 million from a loss of £30.4 million last year. This is driven by lower UK sales and margin, offset by reduced costs from store closures and rent savings.

Foreign exchange

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

	53 weeks ended 30 March 2019	52 weeks ended 24 March 2018
Average:		
Euro	1.1	1.1
Russian rouble	83.6	76.3
Chinese Renminbi	8.7	8.8
Kuwaiti dinar	0.4	0.4
Saudi riyal	5.1	4.9
Emirati dirham	4.7	4.9
Indonesian rupiah	18,587	17,731
Indian rupee	891	85.1
Turkish lira	6.6	4.8
Closing:		
Euro	1.2	1.1
Russian rouble	85.4	80.3
Chinese Renminbi	8.9	8.8
Kuwaiti dinar	0.4	0.4
Saudi riyal	5.0	5.2
Emirati dirham	4.9	5.1
Indonesian rupiah	18,709	19,179
Indian rupee	91.4	90.7
Turkish lira	7.6	5.5

The principal currencies that impact the translation of International sales are shown below. The net effect of currency translation caused worldwide sales and adjusted loss to decrease by £22.9 million and £1.4 million respectively as shown below:

	Worldwide sales £ million	Adjusted Profit/(loss) £ million
Euro	0.2	–
Russian rouble	(13.5)	(0.7)
Chinese Renminbi	(0.2)	–
Kuwaiti dinar	–	–
Saudi riyal	(0.2)	–
Emirati dirham	0.2	–
Indonesian rupiah	(1.6)	(0.3)
India rupee	(2.0)	(0.1)
Turkish lira	(5.4)	–
Other currencies	(0.4)	(0.3)
	(22.9)	(1.4)

See glossary for definitions

Discontinued operations

On 12 March 2019, the Group entered into an agreement for the sale of the Early Learning Centre (ELC) trade and specified assets. This contract completed on 22 March 2019, and the subsequent Curated Wholesale Agreement with TEAL Brands Limited (“TEAL”) took effect from 13 May 2019.

The loss from discontinued operations for the period is £25.9 million (2018: £16.9 million profit).

The total statutory loss after tax for the Group is £93.4 million (2018: £76.1 million).

Net finance cost

Financing represents interest receivable on bank deposits, less amounts capitalised for borrowing costs associated with the build of qualifying assets, interest payable on borrowing facilities, the amortisation of costs relating to bank facility fees and the net interest charge on the liabilities/assets of the pension scheme. Year-on-year finance costs have increased due to the shareholder loans.

£2.7 million of finance costs are included in adjusted items. £1.7 million from the movement on the embedded derivative as part of the shareholder loan, £0.4 million charge for the previously unamortised facility fee and £0.6 million in relation to the unwind of the discount on the onerous lease provision.

Taxation

The tax charge comprises corporation taxes incurred and a deferred tax charge. The total tax charge from continuing operations was £0.9 million (2018: credit of £1.0 million) – (see note 9).

The total tax charge from discontinued operations was £5.2 million (including an £0.4 million credit in adjusted costs) (2018: £4.3 million) – (see note 10).

Adjusted items

Adjusted loss before tax for the 53 weeks ending 30 March 2019 excludes the following adjusted items (see note 6):

- Property related costs of £31.8 million, including impairment and onerous lease charges of £43.2 million (2018: £49.8 million), a £2.5 million (2018: £5.8 million charge) credit on store closure costs and the profit on the sale of the Head Office of £8.9 million (2018: £nil);
- Cost associated with restructuring, redundancies and refinancing of £12.8 million (2018: £7.0 million);
- Costs included in finance costs of £2.7 million (2018: £0.2 million);
- Non-cash foreign currency adjustments relating to the revaluation of outstanding forward contracts which have not yet been matched to the purchase of stock of £0.9 million (2018: £2.1 million credit); and
- Adjusted costs of £30.5 million (2018: £1.0 million) relating to discontinued operations (note 10).

Financial review

continued

Earnings per share and dividend

Basic adjusted losses per share from continuing operations were 71 pence (2018: 16.3 pence). Continuing statutory losses per share were 23.8 pence (2018: 54.8 pence).

Total basic adjusted losses per share were 5.6 pence (2018: 5.8 pence). Total statutory losses per share were 33.1 pence (2018: 44.8 pence).

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 Restated* £ million
For continuing operations		
Loss for basic and diluted earnings per share	(67.5)	(93.0)
Adjusted items (note 6)	48.2	65.0
Tax effect of adjusted items	(0.9)	0.3
Adjusted losses for continuing operations	(20.2)	(27.7)

	pence	pence Restated*
For continuing operations		
Basic losses per share	(23.8)	(54.8)
Diluted losses per share	(23.8)	(54.8)
Basic adjusted losses per share	(71)	(16.3)
Diluted adjusted losses per share	(71)	(16.3)

	£ million	£ million
For total continuing and discontinued operations		
Loss for basic and diluted earnings per share	(93.4)	(76.1)
Adjusted items (note 6)	78.7	66.0
Tax effect of adjusted items	(1.3)	0.3
Adjusted losses for continuing and discontinued operations	(16.0)	(9.8)

	pence	pence Restated*
For total continuing and discontinued operations		
Basic losses per share	(33.1)	(44.8)
Diluted losses per share	(33.1)	(44.8)
Basic adjusted losses per share	(5.6)	(5.8)
Diluted adjusted losses per share	(5.6)	(5.8)

* The prior year has been restated for the reclassification of ELC discontinued operations (note 10).

The Board has concluded that given the refinancing of the business, the Company will not pay a final dividend for the period. The total dividend for the year is nil pence per share (2018: 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 28 March 2020*	53 weeks ended 30 March 2019	52 weeks ended 24 March 2018
Income statement			
Running costs	(3.5)	(3.3)	(3.4)
Past service costs in respect of GMP equalisation (see note 6)	–	(0.6)	–
Past service credit in respect of PIE (see note 6)	–	1.6	–
Net interest on liabilities / return on assets	(0.5)	(0.9)	(2.0)
Net charge	(4.0)	(3.2)	(5.4)
Cash funding			
Regular contributions	(1.6)	(2.2)	(2.6)
Additional contributions	(2.0)	(6.9)	–
Deficit contributions	(11.2)	(5.3)	(9.2)
Total cash funding	(14.8)	(14.4)	(11.8)
Balance sheet**			
Fair value of schemes' assets	n/a	363.7	351.5
Present value of defined benefit obligations	n/a	(388.6)	(389.2)
Net liability	n/a	(24.9)	(37.7)

*Forecast

**The forecast fair value of schemes' assets and present value of defined benefit obligations is dependent upon the movement in external market factors, which have not been forecast by the Group for 2020 and therefore have not been disclosed.

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:

	2019	2018	2019 Sensitivity	2019 Sensitivity ¹ £ million
Discount rate	2.6%	2.7%	+/- 0.1%	-7.5 / +7.7
Inflation – RPI	3.2%	3.1%	+/- 0.1%	+5.1 / -7.3
Inflation – CPI	2.1%	2.0%	+/- 0.1%	+3.1 / -2.9

¹ Impact on net liability.

Financial review

continued

Net Debt and Cash flow

Net debt of £6.9 million is significantly reduced (by £372 million) since the prior year, mainly as a result of the equity raise of £296 million (net of fees), the sale of the Head office (£14.5 million net of fees), and the sale of the ELC business (£6.0 million).

Adjusted free cash flow (as defined in note 2) was an inflow of £33.4 million with cash generated from operations of £41.2 million (2018: £15.9 million). Statutory net cash inflow from operating activities (note 28) was £2.1 million compared with an outflow of £29.3 million in the prior year, reflecting improvements in working capital.

Net capital expenditure was markedly lower at £3.3 million (2018: £21.7 million), due to proceeds received on the sale of the Head Office in December 2018.

The inflow from working capital of £37.0 million (2018: outflow of £2.6 million), reflects lower inventory driven by store closures and tighter buying, and a reduction in receivables from International franchise partners.

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 £ million
Adjusted loss from operations before interest and share-based payments	(13.9)	(25.6)
Depreciation and amortisation	20.3	22.1
Retirement benefit schemes	(12.2)	(8.6)
Change in working capital	37.0	(2.6)
Other movements ¹	4.1	(1.5)
Discontinued operations	5.9	32.1
Adjusted cash generated from operations	41.2	15.9
Capital expenditure	(3.3)	(21.7)
Interest and tax paid	(4.5)	(3.4)
Adjusted free cashflow	33.4	(9.2)
Adjusted items ¹	(27.8)	(15.5)
Free cashflow	5.6	(24.7)
(Repayment)/drawdown on facility	(25.5)	27.5
Payment of facility fee	(0.7)	(0.6)
Issue of share capital(net of expenses)	29.6	–
Shareholder loan	8.0	–
Exchange differences	0.9	(2.9)
(Overdraft)/cash and cash equivalents at beginning of period	(1.6)	(0.9)
Cash at bank/(overdraft) at end of period	16.3	(1.6)
Borrowings – due to banks	(17.0)	(42.5)
Borrowings – Shareholder loans	(6.2)	–
Statutory net debt at end of period	(6.9)	(44.1)

See glossary for definitions

¹ Other movements mainly comprise utilisations of provisions in the period including onerous lease and store closure provisions.

Balance sheet

Total equity at 30 March 2019 was a deficit of £49.4 million, a reduction of £54.0 million year-on-year, driven predominantly by the losses in the year of £93.4 million, partially offset by a decrease in the defined benefit pension obligation (net of tax) of £12.8 million, and the capital raise of £29.6 million (£32.5 million less £2.9 million of advisor fees).

The net liability position is driven by impairments of software and UK store assets and therefore by non-cash movements. The Group's working capital position is closely monitored and forecasts demonstrate the Group is able to meet its debts as they fall due. The net current liability position includes the unwind of certain non-cash provisions.

In March 2019 the Group entered into an agreement for the sale of the Early Learning Centre (ELC) trade and specified assets – consequently, the remaining intangible assets and goodwill arising from the acquisition of the Early Learning Centre have been written off.

	30 March 2019 £ million	24 March 2018 £ million
Goodwill and other intangibles	16.3	66.4
Property, plant and equipment	27.7	55.0
Retirement benefit obligations (net of tax)	(24.9)	(37.7)
Net borrowings	(6.9)	(44.1)
Derivative financial instruments	(3.3)	(9.9)
Other net liabilities	(58.3)	(25.1)
Net (liabilities) / assets	(49.4)	4.6
Share capital and premium	176.0	146.4
Reserves	(225.4)	(141.8)
Total equity	(49.4)	4.6

Going concern

The Group's business activities and the factors likely to affect its future development are set out in the principal risks and uncertainties section of these financial statements. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the financial review.

As at 30 March 2019 the Group had a net debt of £6.9 million (2018: £44.1 million) and was in compliance with covenant requirements. Current net debt as at 17 May 2019 amounts to £15.0 million, including a £13 million drawdown on the Revolving Credit Facility ("RCF"). The cash outflow since year end reflects the seasonal working capital cycle and timing of orders placed with our trade suppliers for the AW19 season.

At the start of the financial year, the Group had successfully completed a refinancing with the support of its two Banks, HSBC Plc and Barclays Bank Plc. At this stage the Group had access to a RCF of £67.5 million, which included an uncommitted overdraft facility of £5.0 million, expiring in December 2020.

In the financial year the Group realised cash from a number of investments, each of which was used to reduce the RCF facility. In addition, there was a contractual £17.5 million stepdown in facility limit, including the removal of the overdraft facility of £5.0m, in November 2018. At the same time, the Group agreed with the banks to soften its covenant targets to December 2019.

On 14 December 2018, the Group completed the sale and leaseback of its UK head office, with net proceeds of £14.5 million.

On 12 March 2019, the Group agreed to sell Early Learning Centre to The Entertainer for £11.5 million. The first instalment of £6.0 million was received on 22 March 2019, with a further instalment of £5.5 million received on 15 May 2019. Under the terms of the signed Curated Wholesale Agreement which governs the terms of future trading, a further £2.0 million is expected to be received over the next two years through an earn-out commission, taking the total consideration for the deal to £13.5 million. In addition, the proceeds from selling excess Early Learning Centre stock will be applied against the RCF, with the limit stepping-down by £2.0 million increments in June, July and August.

On 25 April 2019, the Group closed the stores in Ayr and Paisley, leading to proceeds of £0.5 million.

As a result of the above, by the end of August 2019, the RCF will be £18.0 million.

The Group also has access to an uncommitted debtor backed facility of up to £10.0 million (but not exceeding the total debt outstanding) from one of the Company's trade partners, expiring in October 2019.

The consolidated financial information in our full year accounts has been prepared on a going concern basis. When considering the going concern assumption, the Directors of the Group have reviewed a number of factors, including the Group's trading results, its

Financial review

continued

continued access to sufficient borrowing facilities and its ability to continue to operate within its financial covenants against the Group's latest forecasts and projections, comprising:

- A Base Case forecast; and
- A Reasonable Worst Case forecast ("RWC"), which applies sensitivities against the Base Case for reasonably possible adverse variations in performance, reflecting the ongoing volatility in UK and International trading performance.

The RWC scenario assumes the following key sensitivities:

- Significant further decline in UK sales, beyond that already seen in 2019, following a marked downturn in consumer confidence linked to uncertainty caused by the delay to BREXIT, the assumed rate of decline for 2020 is worse than that experienced in any year in the UK over the last five years.
- Following the decline in underlying UK margin rate in 2019, margin is assumed to be broadly flat in 2020 (after normalising for the impact of the store closure programme), reflecting the continued margin investment necessary to stimulate demand.
- International to experience a continuation of external macro-economic and currency pressures across key markets culminating in moderate decline in like-for-like retail sales.

However, if the risk and sensitivities applied in our RWC forecast, or a more significant and prolonged decline in trading performance were to materialise, beyond that seen in 2019, and the Group were not able to execute further cost or cash management programmes the Group would breach its fixed charge covenant on its existing banking facilities and at certain points of the working capital cycle have insufficient headroom against existing facility limits. If this scenario were to crystallise the Group would need to renegotiate with its relationship banks in order to secure additional funding and a reset of covenants. Therefore, we have concluded that, under the RWC, there is a material uncertainty that casts significant doubt that the Group will be able to operate as a going concern.

Notwithstanding this material uncertainty, the Board's confidence in the Group's Base Case forecast, which indicates the Group will operate within the terms of its committed borrowing facilities and covenants for the foreseeable future, and the Group's proven cash management capability supports our preparation of the financial statements on a going concern basis.

Viability Statement

In accordance with provision C.22 of the 2016 revision of the Code, the Directors have assessed the prospects and viability of the company and its ability to meet liabilities as they fall due over the medium term. The directors concluded that a period to the end of March 2022 is a suitable time period for their review for the following reasons;

- This period aligns with our medium term forecasting cycle
- Performance is significantly impacted by both UK and International economic conditions which are increasingly difficult to predict beyond this period

The assessment was made by considering the principal risks facing the Group, and stress testing the strategic plan to model the impact of a combination of these risks occurring together to drive sustained pressure on the business over the three year period to March 2022.

These projections were then reviewed in the context of the available funding. The bank revolving credit facility is due to expire in December 2020 and it is assumed that the Group will be able to secure a similar level of funding at this point if required.

The scenario assumed the following key assumptions:

- UK sales decline significantly in year one, beyond that already seen in 2019, following a marked downturn in consumer confidence linked to uncertainty caused by the delay to BREXIT. The assumed rate of decline for 2020 is worse than that experienced in any year in the UK over the last five years. Further decline is forecast in year two followed by marginal recovery in the final year of the review. The estimated annual cash impact of +/-1% change in sales growth is £0.9 million.
- Following the decline in underlying UK margin rate in 2019, margin is assumed to be broadly flat in 2020 (after normalising for the impact of the store closure programme), reflecting the continued margin investment necessary to stimulate demand. Marginal recovery is assumed in year two and three. The estimated annual cash impact of +/- 100bps change in margin rate is £2.5 million.
- International to experience a continuation of external macro-economic and currency pressures across key markets culminating in moderate decline in like-for-like retail sales in all three years of the review period. The estimated annual cash impact of +/-1% change in International like-for-like retail sales is £0.2 million.
- Potential FX volatility, primarily in respect of US Dollars as a result of hedges expiring is not reflected in our forecast. There is a natural hedge in place between the income we receive from franchise partners invoiced in US Dollars and the purchases from our trade

suppliers. The impact on the Group could be material. If sterling were to weaken by 10%, there would be an annualised cost of £11 million resulting from the net exposure to purchases in US Dollars, whilst a 10% strengthening of sterling would result in £10 million annualised saving.

In the above scenario, the profitability and liquidity of the business would be significantly impacted and management would seek to take significant mitigating actions, such as an immediate and material reduction in capital spend and costs. In addition in this scenario, covenants and headroom would be breached and the Group would require additional short term support from its relationship banks in order to retain sufficient cash available for the business to remain liquid over the period reviewed. Notwithstanding the above and the material uncertainty as outlined in the Going Concern Statement, the directors confirm they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for the next three years. It is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty.

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 34% of Group sales (2018: 34%). Total International worldwide sales in the 53 week period represent approximately 64% of Group worldwide sales (2018: 62%). 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 where feasible, all material exposures are hedged by using forward currency contracts.

Interest rate risk

The principal interest rate risk of the Group arises in respect of the drawdown of the Revolving Credit Facility ("RCF"). This facility is at a fixed rate plus LIBOR, and exposes the Group to cash flow interest rate risk. The interest exposure is monitored by management but due to low interest rate levels during the period the risk is believed to be minimal and no interest rate hedging has been undertaken.

At 30 March 2019, Group has drawn down £170 million on the RCF, which attracts an interest rate of 4.25% above LIBOR, and exposes the Group to cashflow interest rate risk. The interest exposure is monitored by management but due to low interest rate levels during the period the risk is believed to be minimal and no interest rate hedging has been undertaken.

The shareholder loans (note 21) raised in the period attract a monthly compound interest rate of 0.83%. These loan agreements contain an option to convert to equity which is treated as an embedded derivative and fair valued. This fair value is calculated using the Black Scholes model and is therefore sensitive to the relevant inputs, particularly share price.

Credit risk

The Group has exposure to credit risk inherent in its trade receivables. The Group has no significant concentration of credit risk. The Group operates effective credit control procedures in order to minimise exposure to overdue debts. Before accepting any new trade 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. IFRS 9 'Financial Instruments' has been applied retrospectively as at 25 March 2018 by adjusting the opening balance sheet at that date. Receivables balances are held net of a provision calculated using a risk matrix, taking micro and macro-economic factors into consideration as detailed in note 2.

Shareholders' funds

Shareholders' funds amount to a deficit of £494 million, a reduction of £54.0 million in the 53 week period to 30 March 2019. This was driven predominantly by the losses in the year of £ 93.4 million, partly offset by a decrease in the net defined benefit pension obligation of £12.8 million and the capital raise of £32.5 million (£29.6 million net of expenses).

Corporate Responsibility

Performance Update

Highlights

- In 2019, the Mothercare Group:
- Continued to drive the CR2020 strategy across the three areas of products, environments and communities;
- Progress diversity and inclusion with the creation of a new policy and initiatives such as the adoption of informal flexible working
- Developed Cotton and Timber policies to support the delivery of the targets for responsibly sourced raw materials
- Continued to reduce total CO₂e emissions through buildings and transport
- Had 52% of senior management positions (below Board level) filled by women

Our approach to Corporate Responsibility

As a responsible retailer, our social and environmental commitments sit alongside our vision to be the leading global specialist for parents and young children. We are committed to our Corporate Responsibility (CR) programme and our customers and other stakeholders trust us to act with integrity to do the right thing, in the right way.

This report provides a summary of our performance over the last twelve months. We have structured this update into our three areas of focus and we have included an overview of our CR2020 strategy and supporting governance.

Our CR2020 strategy

Mothercare's vision is to be the leading global specialist for parents and young children. Our role is to "unite mums (and dads) to take on parenting together". Our CR2020 ambition to "unite with mums and dads to create a better world for the future of our children" has been developed to be consistent with and supportive of our vision.

As a global retailer the impacts of our business are diverse. Products are produced, transported, sold and then used and disposed of by our customers. To focus our activity on the material impacts and opportunities, we structure our CR2020 programme into three areas:

1. **Products:** addressing the social and environmental impacts of making and using our products;
2. **Environment:** making our operations greener; and
3. **Communities:** strengthening our ties with the communities in which we work and investing in our people.

We recognise that the United Nations Sustainable Development Goals (SDGs) are increasingly providing a framework for businesses to design and measure their corporate responsibility and sustainability strategies. We include the goals where we believe that our CR2020 strategy can achieve the greatest impact in our performance against targets sections.

During 2020 we will be updating our CR2020 strategy and will review the SDGs in more detail to help us identify where we can make the most material impact.

CR2020 Governance structure

The restructure of the Mothercare business during 2019 has created two roles to develop and implement the CR strategy, they replace the previous Global Head of CR. The Responsible Business Senior Manager will develop the overall strategic direction and monitor progress against our targets. The Responsible Sourcing Manager specifically focusses on the product area of our strategy. These changes came into effect from January 2019.

Plc board

Progress against our CR2020 vision and strategy is reported at least annually to the plc Board via the Audit and Risk Committee.

CR2020 Steering Committee

The steering committee was established in 2017 to measure progress against this strategy. It is made up of key members of the Senior Leadership Team and Operating Board.

CR team

The restructure of the Mothercare business during 2018 resulted in the removal of the small team of responsible sourcing professionals, based in China, India and Bangladesh. This work will now be led by the UK based Responsible Sourcing Manager in partnership with our suppliers, NGOs, other retailers and advisors.

CR2020 Performance Update

1. Products

The biggest impact that Mothercare makes is through the products that we sell, from production right through to the way that products are used and disposed of. Every year we sell thousands of different items to our customers and our supply chain, like other retailers, is diverse and long. We acknowledge the material risks and opportunities in our supply chain and aim to address these proactively. The update on Products is separated into three areas:

- A. Responsible Sourcing
- B. Environmental impacts of production
- C. Raw Material Sustainability

A. Responsible Sourcing

For Mothercare Group, Responsible Sourcing means partnering with suppliers that:

- provide decent, safe and fair working conditions for their employees;
- treat employees with dignity and respect;
- reduce the environmental impacts of their operations; and
- demonstrate a strong commitment to business ethics.

Our Approach

We source from approximately 500 factories and the top five countries; China, India, Bangladesh, Turkey and the UK, account for 88% of our production sites.

We are 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.

A single Responsible Sourcing Handbook, launched in February 2017 and updated in April 2019, is part of our supplier terms and conditions. It is sent to all suppliers and available on our website at www.mothercareplc.com. The handbook explains in detail our requirements and policies for Responsible Resourcing and includes all relevant policies, for example:

- Supplier Code of Practice;
- Child Labour Policy;
- Sub Contracting and Sub Supplier policy;
- Home worker policy;
- Migrant worker policy;

Modern Slavery Act 2015

Much of our work in Responsible Sourcing is particularly relevant to the UK Government's Modern Slavery Act 2015, which applies to Mothercare. We believe the new law is providing the opportunity for progressive organisations to share the work they are doing and to encourage more action on this serious topic. In line with the law, we have reported our actions under the Modern Slavery Act 2015 on our website at www.mothercareplc.com. Our third statement covering 2018/19 will be published in July 2019.

3rd Party Audits

Before production is approved and annually thereafter, all Mothercare and exclusive branded factories must provide an independent factory ethical audit from a shortlist of providers, to demonstrate that they comply with our Code of Practice. This year we reviewed over 500 independent audits of factories. This review and grading has previously been carried out by the internal Responsible Sourcing teams. From February 2019, Verisio were appointed to manage this important element of our Responsible Sourcing due diligence. The audits are reviewed and depending on the findings a corrective action plan may be issued. Factories are required to close the actions identified in the corrective action plan.

Additional factory assessments

In 2019 our internal RS team carried out 109 factory assessments across in China, India and Bangladesh. This is a planned and welcomed reduction on the 175 assessments carried out in 2018 as we consolidate the number of suppliers that we have and seek to move beyond

Corporate Responsibility

continued

audits to develop a more strategic approach. Going forward this work will be managed by the Responsible Sourcing manager and conducted by independent consultants and advisors using a risk-based approach .

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) and government and industry bodies, are the most effective ways 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 continue to be members of the Ethical Trading Initiative (ETI). We have continued to work with a wide group of stakeholders and examples of some of the key initiatives can be found on our corporate website www.mothercareplc.com.

B. Environmental Impacts of production

Environmental sustainability is an integral aspect of our Code of Practice. Mothercare was ranked 19th out of 82 apparel brands in the Corporate information transparency index compiled by the Chinese NGO called the Institute of Public and Environmental Affairs (IPE).

C. Raw Material Sustainability

Cotton and timber are the most significant raw materials in terms of importance to Mothercare and in relation to environmental impact.

Cotton





As Mothercare's most important raw material, we want to play an active role in helping cotton to be produced in better ways; better for the people that grow it and better for the environment.

Mothercare has applied for membership of the Better Cotton Initiative (BCI) and has set an ambitious goal for 50% of cotton to come from sustainable cotton by 2023. Mothercare is excited to be part of this programme to make Better Cotton a sustainable mainstream commodity.

Timber

Although timber is a less significant raw material in Mothercare in terms of volume, the impact of timber environmentally and socially is well documented. Mothercare has a target for all timber and timber-based product to be 100% responsibly sourced by 2023.

Product – Performance against targets

Area of Focus	Activity Area	Target	Measure	Lead UN SDG our target supports	Status	Commentary
	1 Responsible Sourcing	Maintain continuous progress in Responsible Sourcing year/year	Maintain or improve % score at the annual ETI (Ethical Trade Initiative) strategic submission		On track	Mothercare strategic submission for FY2018 was using the revised ETI reporting framework meaning that a yr/yr comparison is not possible. Mothercare received a score of 53% and the associated classification of "Improver"
Product	2 Environmental impacts of sourcing	All key factories reduce their environmental impacts in terms of waste, pollution and energy use	% of factories with an environmental scorecard making progress against related targets		On track	25 factories received scorecards in FY2018 and progress against targets has been monitored during FY2019
	3 Cotton	Source 12% of our cotton from sustainable sources by 2020 and 50% by 2023	Measured via BCI purchase of BCCU relative to total cotton purchase		Just started	BCI membership application lodged. Baseline cotton data established. New Cotton Policy developed.
	4 Timber	Source 25% of all wood and paper goods from responsible sources by 2020 and 100% by 2023	Measured as % of timber volumes purchased		Just started	Implementation plan being developed with the new sourcing partner. Timber policy updated.

2. Environment

2019 continued to be a year of considerable infrastructural change at Mothercare, particularly with the store closure programme.

In 2019 our overall CO₂e emissions reduced, in absolute terms, by 32% versus 2018. While both buildings energy and transport energy consumption reduced year on year, a contributory factor behind the fall was the impact of the DEFRA emissions conversion factor annual changes. Mothercare's emissions from electricity consumption reduced by 39% in a year.

Key performance indicators	2019 Performance	2018 Performance	2019 vs 2018 (+/-)%
Building energy use (m kWh)	29.09	36.63	-21%
Transport fuel used (m litres)	0.71	0.83	-15%
Transport distance (m kilometers)	2.85	3.40	-16%
Kilometers/litres of fuel consumption	4.04	4.08	-1%
CO ₂ e emissions (tonnes)*	9,514	14,074	-32%
Of which:			
Buildings	7,659	11,905	-36%
Transport	1,855	2,170	-14%
CO ₂ e emissions (per £m)	25.41	32.17	-21%
CO ₂ e emissions (per '000 sq. ft)	9.29	10.79	-14%
Total waste (tonnes, UK only)	3,911	4,505	-13%
Recycled waste (%)	94%	94%	0%

*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

Buildings emissions relate to electricity and gas consumption at our UK stores, UK and overseas offices and at our National Distribution Centres. During 2019, the first full year of the reconfiguration of our distribution network to our Nuneaton site led to energy savings. Also, energy usage at stores and offices fell by 27%, mainly as a result of store closures but also helped by last year's roll out of automatic electricity meter readers leading to more robust, real-time data.

Transport emissions

Transport emissions relate to diesel consumption for deliveries between our distribution centres and from the distribution centres to stores. In absolute terms, distance travelled reduced by 16%, and litres consumed fell by 15%, leading to a 14% reduction in transport emissions. The first full year with the removal of our out-base hub at Dagenham - as part of our ongoing reconfiguration programme - was a major contributor to the fall in distance travelled. However, because of an increase in shorter distance stock movements around our main centre at Nuneaton, we saw fuel efficiency decrease by 1%. We continue to invest in our programme of fleet upgrades and driver efficiency training.




Waste

The volume of waste produced has declined by 13% vs 2018 and 94% of this waste has been recycled, which is broadly in line with 2018. The volume of waste sent to landfill has declined by 11% vs 2019.

Corporate Responsibility

continued

Environment – Performance against targets

Area of Focus	Activity Area	Target	Measure	Lead UN SDG our target supports	Status	Commentary
Environment	5 Operational waste	Aim to achieve zero waste to landfill by 2020	% waste to landfill		On track	Total waste volume reduced by 13% and the volume of waste sent to landfill reduced by 11%. The % of waste sent to landfill remained flat at 6% with 94% being recycled.
	6 Transport energy	Improve fuel efficiency year/year	Km drive/ litre fuel consumption		Not Achieved	In absolute terms, distance travelled reduced by 16%, and litres consumed fell by 15%. As part of our reconfiguration programme, we engaged in more shorter, less fuel efficient stock movements at our main centre in Nuneaton, which led to a small decrease in fuel efficiency.
	7 Buildings energy	Improve energy efficiency year/year	Building energy use / £ sales		On track	Reduction in buildings energy consumption at our stores and distribution centres, coupled with a substantial decrease in Defra's electricity conversion factors, led to year on year improvements of 21%.

(Note: the table is for performance guidance. See full table for detailed breakdown)

3. Communities

Mothercare Community

Our people are our biggest asset. We employ directly 3582 people in our UK offices and stores as at 30 March 2019, not including those colleagues who work for our global network of franchisees.

Diversity

We have a diverse workforce with 25% of our board positions and 52% of our senior management roles (not including executive management) being held by females. Throughout the rest of the business 92% of our UK retail colleagues and 75% of our UK office colleagues are female. We published our second gender pay gap report in March 2019 relating to the data point of 5 April 2018 and this is available on our corporate website at www.mothercareplc.com. This report shows that our gender pay gap remains broadly unchanged from last year although it is important to note that across our business 89% of our colleagues are females. When we analyse the most senior 50 roles, while women still make up the majority, the proportion drops to 52%. The predominantly female total colleague base compared to the balanced male/ female senior team is the main reason for Mothercare's pay gap. This report includes a summary of our activities delivered in 2019 to create a more diverse and inclusive organisation. This included the creation of our Diversity, Inclusion and Equality Policy and the work we are doing to weave this into every aspect of our business. Through consultation with our colleagues we developed informal flexible working guidelines and introduced a core business hours model (i.e. 10.00 to 16.00) to enable flexible working for our office colleagues. A more detailed breakdown of gender diversity is available in the corporate governance update on page 41 of this report.

Communication

It has been a year of considerable change for Mothercare, all of which has had a significant impact on our colleagues. Clear, accessible communications and ongoing colleague engagement was essential to get us through this unsettled period, as well as facilitate a smooth transition to the new business model and new ways of working.

We continue to hold regular colleague briefings, with the Operating Board and senior leaders providing updates on our progress against our transformation strategy and the work we are doing to make Mothercare a great place to work. We are putting much greater focus on small group and, where possible, face-to-face communications to enable more targeted and timely engagement with our teams and to encourage more two-way dialogue. This all contributes to our commitment to be a leaner, more nimble organisation that is driven by informed and empowered colleagues.

In 2017, we set up an employee consultation forum (ECF) to represent colleagues during an office reorganisation. Following very positive feedback from colleagues, in 2018, we established three enduring colleague engagement groups (CEGs): one for Mothercare stores, one for Mini Club stores and one for head office. Each CEG is made up of elected colleague representatives, with members of our Operating Board taking up chair and sponsor roles. We engage these elected forums for formal consultation matters, and more generally to seek

colleague feedback and insight on ad hoc issues and proposals. The CEGs have quickly become a valued part of our business and enable us to better embed the voice of the colleague in our decision-making.

Training and development

We have a clear set of values and behaviours for our employees and we have been investing in their development.

A key priority in 2019 has been the development of the specialist proposition, which has focused on upskilling our teams to become experts in both great customer service whilst offering expert product knowledge for our customers. To support this development we have designed a suite of eight training modules for our colleagues in retail stores, which cover two in-depth customer service modules and six expert knowledge modules on our product ranges. This expert knowledge is invaluable to customers, covering everything from fixing a car seat safely to how to use a baby carrier correctly.

The first phase of the training has been rolled out using a face to face approach by our newly created 'Master Specialist' regional trainers. The training has been very well received across our estate with 126 people upskilled to deliver training in store, 61 employees completing specialist product knowledge training and all our team members currently completing the Great Customer Service training.

The Group's talent management learning system called "Inspire" enables employees across the group to remotely access and develop a number of core skills, from compliance and product knowledge to personal development.

Charitable Giving

The Mothercare Group Foundation (MGF) aims to help parents in the UK and worldwide meet the needs and aspirations for their children and to give them the very best chance of good health, education, well-being and a secure start in life.

The MGF donations are focused on three areas:

- I. Ensuring the good health and well-being of mums-to-be, new mums and their children;
- II. Special baby care needs and premature births; and
- III. Parenting initiatives (or charities) that support families on the parenting journey - uniting mums (and dads) to take on parenting together.

The revenue from the MGF was used to support the corporate charity partner and colleague fundraising matching scheme in 2019:

Corporate charity partner

Our official 2019 Corporate Charity was Bliss. Bliss is a UK charity working to provide the best possible care and support for all premature and sick babies and their families. The MGF made donations of £40k during the year bringing the total donations to the charity since 2017 to over £100k. In addition, many colleagues have engaged in fundraising activities such as a book sale, bake sales and sponsored sports events, raising over £7,500. Following a review with the MGF Trustees it was decided to extend the partnership with Bliss for another year until April 2020.

Employee sponsorship matching fund

Mothercare run a matching fund, meaning that MGF will make an additional donation to add to employees' own fundraising activities. During 2019, over £5k was donated to top up colleague fundraising.

Single-use carrier bag proceeds

Mothercare Group has donated all income received from the charges for single-use carrier bags in England, Scotland and Wales (Northern Ireland pay the levy to the government) to our chosen environmental charity, Trees for Cities, due to its educational, community and international reach. During 2019 £62k was donated to Trees for Cities bringing the total donations to the charity since October 2015 to £355k. To find out more about the charity, please visit www.treesforcities.org.

Customer Communities

We believe that parenting and raising children is an essential foundation for the society we live in. We are committed to helping mums (and dads) take on parenting together. Through our events, we provide support and information to parents in the local community:

Mothercare was proud to be runner up with our Body Proud Mums campaign in Transport for London's "Women We See" diversity competition. Body Proud Mums boldly celebrates a diverse range of mothers and their post-partum bodies. The campaign seeks to normalise their experiences, spark a positive conversation around the issue and help them feel confident and proud of their bodies after childbirth and offering reassurance for mums that every body is beautiful and unique. From surgical scars to stretch marks, we want to celebrate and support the true journey of motherhood and that includes the physical changes to the body.

Every year Mothercare welcomes thousands of people to our successful Expectant Parent Events throughout the UK. We are proud to help, support and inspire parents-to-be as they take on this important role. Being a specialist means; giving accurate, clear product

Corporate Responsibility




continued

advice and excellent customer care to all our customers, so meeting the needs of everyone who attends our events (including; adoptive parents, same sex parents and grandparents). These events run in all of our stores across the UK four times a year usually in February, June, August and October. Midwives, Health Visitors, First Aid trainers and other experts frequently attend the events to offer one to one advice to the parents-to-be.

We provide a range of advisory leaflets to support expectant parent events and personal shopper appointments. These leaflets cover popular topics such as feeding, car seats safety and fitting, baby slings, maternity, pushchairs and sleep safety. We also offer advice and raise awareness of relevant campaigns such as; accident prevention, child car seat safety, baby sensory week taster sessions in store. We have hosted Facebook live debates on maternal mental health, baby sling wearing advice, baby first aid and we have participated in World Prematurity Day on 17 November as part of our partnership with Bliss.

We host New Parent Meet Up coffee mornings with the NCT in 14 of our stores across the UK in Bristol, Manchester, Gateshead, Havant, Solihull, Romford, Edmonton, Leeds, Truro, Greenwich and Plymouth, which offer a perfect meeting space for parents to relax and meet other new parents covering such topics as feeding, sleeping, first aid and baby massage.

Community – Performance against targets

Area of Focus	Activity Area	Target	Measure	Lead UN SDG* our target supports	Status	Commentary
Community	8 Community impact	Develop long term value creating charity partnerships	Delivery of joint partnership strategy goals		On track	Delivery of the Joint Partnership Strategy with Bliss on track. Partnership extended until April 2020
	9 Colleague volunteering	By 2020 donate 2000 hours to causes that create a better world for the future of our children	Recorded colleague hours volunteered		Not started	Colleague Volunteering offer to be launched with Colleagues from Autumn 2019/20.
	10 Colleague giving	Enable colleagues to get involved with community and charity activities	yr/yr growth in % participation of colleagues participating in payroll giving, volunteering and charity partnership activities		Not started	Payroll giving offer to be launched to colleagues during 2019/20. Measurement tool of participation to be developed.

*The United Nations Sustainable Development Goals (SDG) came into force in January 2016 and set out 17 goals to be achieved by 2030.

Board of Directors and Operating Board Supervisory and Governance Board

Committee Memberships key:
 A — Audit and Risk Committee
 R — Remuneration Committee
 N — Nomination Committee
 F — Full board member
 D — Defence Committee
 Di — Disclosure Committee



1. Clive Whiley N F D Di

Position: Interim Executive Chairman
Appointment: April 2018

Skills, competencies, experience: Clive Whiley has over thirty five years' experience in regulated strategic management positions since becoming a Member of the London Stock Exchange. He has extensive main board executive director experience across a broad range of financial services, engineering, manufacturing, distribution, retail & leisure businesses: encompassing the UK, Europe, North America, Australasia, Middle East and the People's Republic of China.

Other Directorships: Mr Whiley is currently a Non-Executive Director of Grand Harbour Marina plc which is listed on the Malta Stock Exchange and Camper & Nicholson's Marina Investments Limited and also Chairman of China Venture Capital Management Limited, First China Venture Capital Limited and Y-LEE Limited.



2. Mark Newton-Jones F D Di

Position: Chief Executive Officer
Appointment: July 2014

Skills, competencies, experience: Mark has 30 years' experience with and developing some of the industry's leading retail brands in both stores and online. Formerly, Mark has held directorships with companies within the Shop Direct Group where he was Chief Executive Officer. Mark was also a non-executive director of Boohoo plc from 2013 to 2016. Mark initially joined Mothercare as Chief Executive in 2014.

Other Directorships: Mark is Chairman of Graduate Fashion Week and a board member of the INGKA Holding B.V. (Supervisory Board of the IKEA Group). Mark is also currently a director of Pockit Limited.



3. Glyn Hughes F D Di

Position: Chief Financial Officer
Appointment: December 2017

Skills, competencies, experience: Glyn has extensive international retail and finance experience gained during his 10 year residence in Asia (2006 – 2016) where he held both CEO and CFO positions within the Dairy Farm Group. Appointments prior to that include senior Finance, Strategy and Business Development roles at Kingfisher, Tesco and KPMG.

Other Directorships: None



4. Gillian Kent R A F N D Di

Position: Non-executive director and Remuneration Committee Chair
Appointment: March 2017

Skills, competencies, experience: Gillian has had a broad executive career including being Chief Executive of real estate portal Propertyfinder until its acquisition by Zoopla, and 15 years with Microsoft including three years as Managing Director of MSN UK. Formerly a non-executive director at Pendragon Plc and Coull Limited.

Other Directorships: Gillian holds non-executive director roles at National Accident Helpline Group Plc, Ascential Plc, and at three private companies, No Agent Technologies Limited, Theo Topco Limited and Portswigger Limited.



5. Nick Wharton R A F N D Di

Position: Non-executive director and Audit and Risk Committee Chair
Appointment: November 2013

Skills, competencies, experience: Nick provides the Company with extensive experience within the retail sector both in the UK and internationally. Substantial plc experience having operated as both CEO and CFO supports the financial and strategic direction of the Company. Formerly CFO of Superdry Plc, Chief Executive Officer of Dunelm Group plc, Chief Financial Officer of Halfords Group plc, and held finance and international positions at The Boots Company plc and Cadbury Schweppes plc.

Other Directorships: Non-executive director of A.G. BARR p.l.c.. Director of 1104 Consulting Limited.



6. Lynne Medini

Position: Group Company Secretary
Appointment: May 2018

Skills, competencies, experience: Lynne is an experienced chartered secretary with a career spanning over 20 years at Mothercare. Fellow, ICSA.

Operating Board

Mark Newton-Jones — Chief Executive Officer. See above for biography
Glyn Hughes — Chief Financial Officer. See above for biography



7. Kirsty Homer

Global People and Governance Director, Mothercare Global Brand
Appointment: June 2017

Skills, competencies, experience: Formerly Director of Personnel Group and Partnership Services at John Lewis Partnership where Kirsty had a career spanning 20 years including 14 years at Waitrose Ltd.



8. Kevin Rusling

COO, Mothercare Global Brand
Appointment: April 2017

Skills, competencies, experience: Formerly international director of Monsoon Accessorize; prior to that Kevin ran the international division of Walmart's George at Asda business for five years and was previously international manager at Marks and Spencer for 12 years.



9. Andrew Cook

Corporate Development Director
Appointment: March 2019

Skills, competencies, experience: Andrew is a highly-experienced, results-oriented finance executive whose commercial insight has enabled him to successfully transform business profitability across a number of sectors, including retail. Most recently, Andrew was Chief Financial Officer for Stanley Gibbons Group plc. Prior to that, he held senior director roles within Medina Dairy Group, Kelly Services, The Body Shop and Virgin Group.

Corporate governance

Dear Shareholder

The Company believes that establishing and maintaining high standards of corporate governance are critical to the successful delivery of the group's strategy and to safeguard the interests of its shareholders, customers, staff, franchise partners and other stakeholders. The group delivers this through a corporate governance framework in its activities globally.

As mentioned in my statement earlier in this report, I would like to thank all stakeholders including shareholders, financiers, franchise partners, shareholder loan note subscribers, pension trustees, the Pension Regulator, landlords and employees alike, whose support we harnessed in the month following my appointment to launch the crucial Capital Financing Plan and UK Restructuring package. We maintained an environment of constructive dialogue with all stakeholders during the course of that month, which continues to date, demonstrating that the principles are embedded throughout the organisation.

Clive Whiley
Chairman

General

The Company considers that it has complied throughout the 53-week period ended on 30 March 2019 with the relevant provisions set out in the 2016 UK Corporate Governance Code. Further explanation of how the Main Principals have been applied are set out below and in the main committee reports. Early adoption of some of the principals of the 2018 Code have been undertaken where feasible to do so.

The Board

The leadership of the Mothercare plc business is provided by the Mothercare plc Board. The Board operates on a unitary basis and currently comprises the Executive Chairman, two independent non-executive directors, and two full-time executive directors being the Chief Executive Officer and the Chief Financial Officer. Whilst the roles of chairman and CEO are not exercised by the same individual, the current chairman is in an executive role and therefore not considered to be independent under the UK Corporate Governance Code. Clive Whiley was appointed in 2018 for his experience of restructuring and finance in order to help steer Mothercare through that phase of its transformation.

Mothercare plc Main Board:

As at 30 March 2019

Chairman

Clive Whiley (Executive Chairman)

Non-executive

Gillian Kent

Nick Wharton

Executive

Mark Newton-Jones

Glyn Hughes

Board Changes

During the year there were changes to the board structure which resulted in a necessary number of executive directors whilst the Company focussed on the comprehensive refinancing of the Group and restructuring of UK operations.

Since the 2018 annual report and accounts, Mark Newton-Jones was reappointed as CEO, Tea Colaianni, Lee Ginsberg, Richard Rivers and David Wood resigned in May, July, July and November respectively.

Following the resignation of Alice Darwall a new Group Company Secretary was appointed, promoting Lynne Medini to the role. Lynne has been with the business since 1992.

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 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.

Key activities of the Board	
Regular agenda items:	Key agenda items also considered in the year included:
Group strategy	Renegotiation of the Revolving Credit Facilities
Financing, going concern, viability and liquidity	Restructure of capital
Reports from Board committees	Restructuring of store estate and CVAs
Business performance and financial results	Restructuring of sourcing operations
Annual budget and financial statements	Restructuring of head office
Consideration of acquisitions and disposals	Sale and leaseback of Head Office
Risk management and review	Sale of assets of Early Learning Centre
Operational oversight	Appointment of broker

Appropriate time is made during the year for continuing training on relevant topics concerning the functioning of the Board and 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 37. 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.

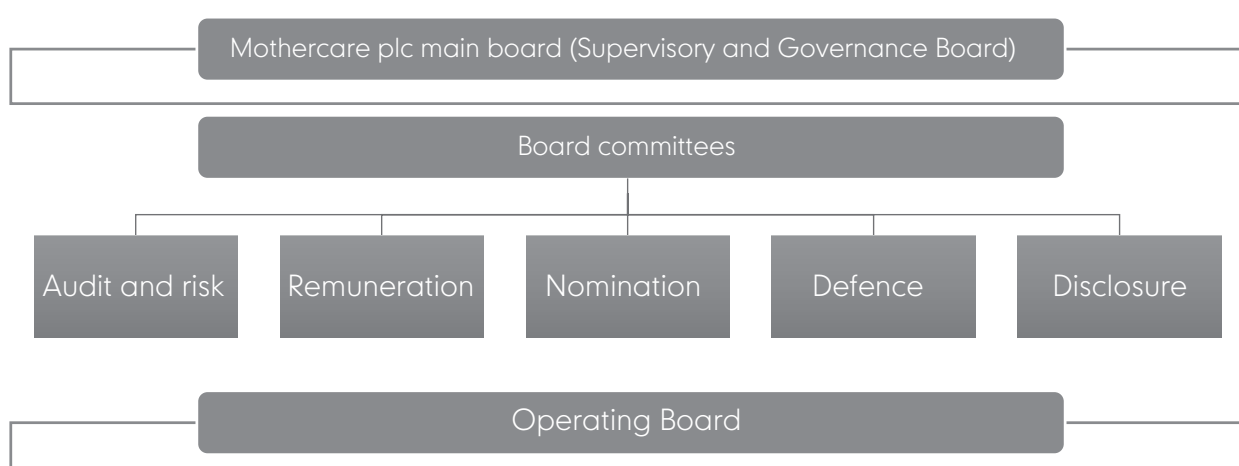
Governance and Committees

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.

In accordance with the 2016 UK Corporate Governance Code the Board has resolved that all directors should offer themselves for re-election at regular intervals subject to continued satisfactory performance. The Company has applied annual re-elections at its annual general meetings since 2013.

The Board commenced an externally facilitated board evaluation during 2018, engaging Ian White, an experienced company secretary now focussed on board evaluation. The evaluation exercise extended into 2019 in order to include the new directors and the output of the evaluation was presented to the Board during the first half of the year and recommendations implemented.

The Chairman has considered the contributions made by the directors during the year under review, and is of the opinion that the Company's directors have continued to give effective counsel and commitment to the Company and accordingly should be reappointed by shareholders at the AGM.



Corporate governance

continued

The Board is assisted by committees. There are four main committees of the Board that meet and report on a regular basis: Audit and Risk, Remuneration, Nomination and Defence and, in addition, there is a Disclosure Committee. At the year end the members of the committees were as set out below. 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 on page 42.

A	R	N	D	Disclosure
Audit and Risk Committee	Remuneration Committee	Nomination Committee	Defence Committee	Disclosure Committee
Committee members: Nick Wharton (Chair), Gillian Kent	Committee members: Gillian Kent (Chair), Nick Wharton	Committee members: Clive Whiley (Chair), Gillian Kent, Nick Wharton	Committee members: Clive Whiley (Chair), Mark Newton-Jones, Glyn Hughes, Gillian Kent, Nick Wharton	Committee members: Clive Whiley, Mark Newton- Jones, Glyn Hughes, Gillian Kent, Nick Wharton, Lynne Medini
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.	Key roles and responsibilities: Establishes the remuneration policy, preparation and approval of the directors' remuneration report, approval of specific arrangements for the Chairman and executive directors, review comment and propose to the Board the proposed arrangements for the executive committee including short- and long-term incentive programmes.	Key roles and responsibilities: Proposals on the size, structure, composition (including diversity) and appointments to the Board, managing the selection process and agreeing to the terms of appointment of non-executive and executive directors of the Board and review succession planning of Board members.	Key roles and responsibilities: 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.	Key roles and responsibilities: The establishment and maintenance of disclosure controls and procedures in the Company (and their evaluation), for the appropriateness of the disclosures made in order to meet the Company's legal and regulatory obligations and requirements arising from its listing on the London Stock Exchange, and for compliance with the Group's share dealing policy.

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 sections of the Company's website at www.mothercareplc.com.

In addition, the Company's Operating Board reports to the Board through its Chief Executive Officer.

Operating Board

The executive management of the Company (principally through the Operating Board) operates 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 Operating Board. As at 30 March 2019 the Operating Board consisted of the CEO, CFO, Chief Operating Officer, Global People and Governance Directors, and Corporate Development Director. The Operating Board oversees the three divisions of the group: Mothercare Global Brand, Mothercare UK and Mothercare Business Services.

Board effectiveness and balance

The Board commenced an externally facilitated board evaluation during 2018, engaging Ian White, an experienced company secretary now focussed on board evaluation. The evaluation exercise extended into 2019 in order to include the new directors. The output of the evaluation was presented to the Board during the first half of the year and recommendations implemented. Ian White has no other connection with the Company.

In the year ahead the Board intends to support the CEO in the continuing delivery of our strategy, vision and transformation plans 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 30 March 2019, the Board had two non-executive directors, of whom one is a woman. Details of the experience and background of each director is set out on page 37.

Diversity

The importance of improving the diversity balance (including gender) on boards of UK listed companies is recognised. During the year the Group created its new Diversity, Inclusion and Equality policy and its principles will apply in all areas of the business including the board. At the date of this report, the main board (including the chairman and executive directors) comprises one

woman and four men, and the Operating Board (excluding the executive directors) has one woman and two men. The Company has a senior leadership team that reflects gender diversity, with 52% of the senior management positions (the two grades below Operating Board) being held by women as at 30 March 2019 (2018: 65%). The Company believes it is well positioned to support gender diversity at all senior levels.

Employee gender diversity as at 30 March 2019

	Male	%	Female	%	Total
Directors of the Company (including the Chairman and executive directors)	4	80%	1	20%	5
Operating Board (excluding executive directors)	2	67%	1	33%	3
Senior management positions	10	43%	13	57%	23
Total senior managers other than directors of the Company	12	46%	14	54%	26
Other retail support centre employees	81	24%	262	76%	343
Total retail support centre employees	96	26%	276	74%	372
Total retail employees of the group	254	8%	2,956	92%	3210
Grand total employees of the group (retail support centre and retail)	350	10%	3,232	90%	3582

Going concern

The directors have reviewed the going concern principle according to revised guidance provided by the FRC and details are set out in the financial review on page 27.

Viability statement

In accordance with provision C.22 of the 2016 revision of the Code, the directors have assessed the prospects and viability of the company and its ability to meet liabilities as they fall due over the medium term. The viability statement is set out on page 28 of the financial review.

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 is led by the Head of Risk and Internal Audit and reports through the CFO to the Audit and Risk Committee. In addition, there is an internal Risk Committee, chaired by the CFO, that meets every two months.

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 16 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.

The Board believes that the system of internal control described can provide only reasonable and no 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. Compulsory anti-bribery and corruption e-learning training modules are undertaken on induction and annually at all levels across the group (including the board). The group's position on bribery and corruption has been explained to its suppliers, franchisees and joint venture partners. The group maintains a global 'whistleblower' hotline accessible in many languages.

Shareholder relations

The Company maintains regular dialogue with institutional shareholders following its presentation of the financial performance of the business to the investing communities.

Opportunities for dialogue take place at least four times a year following the announcement of the half and full year results (in November and May respectively) and trading statements at the Quarter 1 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 CEO at Board meetings on a periodic basis. In addition, leading investors in the Company have access to the Chief Financial Officer.

Corporate governance

continued

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 its website 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. 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 Limited, which was 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' conflict of interest

The Board has maintained procedures whereby potential conflicts of interest 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 53-week period ended 30 March 2019:

	Board		Committee		
			Audit and Risk	Nomination	Remuneration
Maximum number of meetings	9 formal				
	28 additional including sub committee	5 formal	1 formal 2 ad hoc	5 formal 3 ad hoc	
Director:					
Clive Whiley*	9/9	19/19		1/1	
Mark Newton-Jones*	6/8	10/13			
Glyn Hughes	9/9	28/28			
Gillian Kent	9/9	20/23	5/5	1/1	4/4 1/1
Nick Wharton	9/9	18/23	5/5	1/1	4/4 1/1
Tea Colaiani*	1/1	11/14			
Lee Ginsberg*	2/3	18/21	1/1		1/1 1/1
Alan Parker*	0/0	8/8			
Richard Rivers*	2/3	20/21			1/1 2/2
David Wood*	5/6	20/22			

Notes:

- The table sets out for each director both the number of meetings attended and the maximum number of meetings that could have been attended. Only the attendance of members of the committees is shown in the table although other directors have also attended at the invitation of the respective committee chair.
- Glyn Hughes attended meetings of the Audit and Risk Committee upon the invitation of the Committee chair.
- The two ad hoc board meetings which approved the interim and full year report and accounts were constituted by the Board from those members available at that time having considered the views of the whole Board beforehand.

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

Audit and risk committee

Dear Shareholder

On behalf of the Board, I am pleased to present my report to shareholders on the key activities and focus of the Committee during the year in addition to its principal and ongoing responsibilities which are to:

- monitor the integrity of the Group's financial statements and half year report through their review, receiving reports from the Group's auditor and consideration of any significant accounting policies and judgements;
- have oversight of the Company's risk appetite, its risk management process and internal audit controls, risk mitigation and insurance and within that to review the effectiveness of the Group's internal audit function including that it is adequately resourced and oversight of the Company's agreements with its International partners;
- review the Group's controls to ensure compliance with the Bribery Act and the group's Global Code of Conduct, the UK Corporate Governance Code, and policies on the use of auditors; and
- recommend to the Board the appointment, reappointment and removal of the external auditor, to approve their terms of engagement and remuneration and to monitor their independence.

Activities during the year

The Committee has met five times during the year (see the corporate governance report for meeting attendance table) and reports were provided to the subsequent Board Meeting. I am satisfied that the Committee was presented with good quality papers and sufficient time was allowed to enable full and informed

debate. At least once a year the Committee meets separately with the external Auditor without management present.

The Committee has a standing agenda, that was reviewed during the year, and, in addition, it considers relevant matters as they arise. Specifically, within the financial year the Committee considered the accounting implications from the Company Voluntary Arrangements completed in June 2018, the disposal of the Early Learning Centre to The Entertainer in March 2019 and the Group's adoption or preparedness of new accounting standards. Consideration was also given to the presentation of the financial statements and in particular the use and presentation of adjusted items and alternative performance measures. The Committee has also overseen the Group's preparedness for Brexit and its ongoing response to the growing exposure to information (cyber) risks.

Our external audit relationship was tendered during the year. While, due to the limited time period prior to which our auditor was to rotate on a compulsory basis, Deloitte LLP ("Deloitte") did not participate, this process involved a number of prospective audit firms. Each firm was given wide access to the business in order to develop their audit approach and plan prior to presentation to the Audit and Risk Committee. Following this meeting a recommendation based on quality, knowledge and experience was made to appoint Grant Thornton as auditor for financial year 2020, subject to shareholder approval at the AGM.

On behalf of the Board, I would like to thank Deloitte for their support to the Group over the past 17 years.

Nick Wharton
Audit and Risk Committee Chair

Audit and risk committee

continued

Composition of the Committee

The Committee currently comprises Nick Wharton as Chairman, and Gillian Kent, non-executive director. The Group Company Secretary acts as secretary to the Committee. Nick Wharton is a chartered accountant with considerable financial and commercial experience within listed companies. Biographical details of the directors are set out on page 37 of this report.

The Committee meets regularly during the year in line with the financial reporting timetable, and met five times in the period covered by this report. Each member's attendance at these meetings is set out on page 42 of the corporate governance report.

The Committee ordinarily invites the Group's Chief Financial Officer, Head of Internal Audit & Risk and External audit partner to attend its meetings. Other Board directors and executives are invited to attend from time to time.

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.

The Committee also recognises that the size of the International business (representing approximately two-thirds of worldwide retail space and 60% of worldwide retail sales) means that the Group is more exposed to geopolitical events and the risk of exchange rate fluctuations. This risk is given additional consideration by the Committee, including treasury and hedging policies.

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

The principal matters under consideration during the year are set out below:

Internal control & risk management

The key features of the Group's internal control and risk management systems that ensure the accuracy and reliability of financial reporting include clearly defined lines of accountability and delegation of authority, policies and procedures that cover financial planning and reporting, preparing consolidated accounts, capital expenditure, project governance and information security, and the Group's Code of Conduct.

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, chaired by the CFO, 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 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.

Information technology and security

The Committee continues to focus on the development of the information technology control environment.

The Group has taken external advice on cyber risks that may affect the business and undertook further cyber security business continuity scenario sessions during the year which included members of the Operating Board and the group's information technology department.

The General Data Protection Regulations ("GDPR") required compliance by May 2018. The Group has developed clear policies and procedures in this area and has adopted appropriate measures to be compliant. Ongoing compliance is monitored as part of the annual internal audit agenda.

Whistleblowing

The Group has a policy and process in place for whistleblowing and the Committee is satisfied that colleagues have the opportunity to raise concerns in confidence and that arrangements are in place for independent investigation of such matters.

Controls and procedures are also in place to ensure compliance with the Bribery Act 2010. The Committee receives an annual report on the Group's gift register which includes any gifts and hospitality above an agreed threshold received from external partners.

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

During the year the Committee considered a number of significant issues, taking into account in all instances the views of the Company's external auditor. The issues and how they were addressed by the Committee are detailed below:

Classification and presentation of adjusted items

The Committee gave consideration to the presentation of the financial statements and in particular the use of alternative performance measures and the presentation of adjusted items in accordance with the group accounting policy. This policy states that adjustments are only made to reported profit before tax where income and charges are one-off in nature and significant in value and/or nature.

The Committee received detailed reports from management outlining the judgements applied in relation to the disclosure of adjusted items, which in the current year are:

- costs relating to previously announced activity on property and retail restructuring programmes;
- cost associated with head office redundancies, refinancing and restructuring;
- store and other asset impairment and onerous lease charges;
- foreign exchange gains / losses including the revised basis of disclosure considered and adopted during the year; and
- amortisation of intangible assets.

This was an area of focus for the Committee during the year due to the number and value of these items (£77.4 million charge) and the guidelines on the use of alternative performance measures issued by the European Securities and Markets Authority. Following detailed review and active discussion with management, the Committee has concluded that the presentation of the financial statements is appropriate.

Going concern & viability statement

The Committee reviewed management's assessment of going concern and long-term viability with consideration of forecast cash flows, including sensitivity to trading and expenditure plans and potential mitigation actions. The Committee also considered the Group's financing facilities and future funding plans.

Notwithstanding the material uncertainty highlighted in the Going Concern review, under the Reasonable Worst Case ("RWC") forecast, in which the Group would breach its fixed charge covenant on its existing banking facilities and at certain points of the working capital cycle have insufficient headroom against existing facility limits, the Committee confirmed that the application of the going concern basis for the preparation of the financial statements continued to be appropriate and recommended the approval of the viability statement. The Directors' confidence in the Group's Base Case forecast, which indicates the Group will operate within the terms of its committed borrowing facilities and covenants for the foreseeable future, and the Group's proven cash management capability supports the preparation of the financial statements on a going concern basis. The financial position of the Group, its cashflows, liquidity position and borrowing facilities are set out in the Financial Review on pages 20 to 29.

Defined benefit pension schemes

The Committee has reviewed the actuarial assumptions such as discount rate, inflation rate, expected return of scheme assets and mortality which determine the pension cost and the UK defined benefit scheme valuation, and has concluded that they are appropriate. The assumptions have been disclosed in the financial statements.

Accuracy of the Inventory obsolescence provision relating to seasonal stock

Inventory provisions include obsolete stock, net realisable value below cost and stock loss provisions. The Committee has examined management papers outlining the judgements made regarding provisioning for inventory balances and is satisfied that a sufficiently robust process was followed to confirm quantities of inventory and that net realisable value of inventory exceeds its cost at year end.

Other significant matters considered by the Committee during the year

Other significant matters	How the Committee addressed those matters
Property provisions and onerous leases	
Property closure provisions	<p>For a number of years the Company has pursued a policy of reducing the number of stores operating in the UK. This policy continued during 2019 with the approval of the company voluntary arrangements ("CVA") for Mothercare and ELC and the administration of Childrens World Limited reducing the estate to fewer than 80 stores with 43 stores closed during the year.</p> <p>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. Reflecting, following the CVA, the reduced time and cost to close these stores a net credit of £0.3 million was recognised with respect to store closures, including property dilapidations, redundancy and lease exit costs. The Committee also reviewed the reports from the external auditor which considered the appropriateness of the retained provision.</p> <p>With regard to classification and presentation, while the costs associated with the closure of the UK store estate will reoccur across financial periods, the Group considers that they should be treated as an adjusted item given they are part of a strategic programme and are significant in value to the results of the Group.</p>
Onerous lease provision	<p>Given the loss-making status of the UK business, each store lease is assessed to determine if it is considered onerous. The current year includes a significant charge taken to the onerous lease provision due to the declining performance of stores.</p> <p>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 provision has been calculated using the reasonable worst-case strategic plan assumptions, with cashflows discounted on a pre-tax basis using a risk-free rate return. The unwind of this discount rate is charged to finance costs.</p> <p>The Committee also reviewed the reports from the external auditor which considered the appropriateness of the retained provision.</p> <p>The charges associated with onerous leases and the impairment of store assets have been classified as adjusted items on the basis of the significant value of the charge/credit in the period to the results of the Group.</p>

Audit and risk committee

continued

Other significant matters	How the Committee addressed those matters
Disposal of Early Learning Centre	On 12 March 2019 the Group entered into an agreement for the sale of the Early Learning Centre trade and specified assets with completion on 22 March 2019 and subsequent curated wholesale agreement taking effect on 13 May 2019. The Committee has reviewed the accounting implications of the transaction together with the disclosure of discontinued operations in the annual report and accounts. The Committee has also reviewed the papers from the external Auditor on this topic.

Fair, balanced and understandable

The Committee has evaluated all of the available information and the assurances provided by management. In particular, the review of items identified as adjusted items ensured that equal prominence was given to statutory measures as the adjusted items. 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.

Financial Reporting Council ("FRC") review of 29 March 2017 annual report and accounts

During the year the FRC reviewed the Company's annual report and accounts for the year ended 29 March 2017. The review was carried out under the FRC Conduct Committee's Operating Procedures with no substantive exchange of correspondence. The review was closed and Mothercare included in the list of company names published in September 2018.

Supervision and independence of the external auditor

The Committee oversees the external Auditor by reviewing and approving the audit plan, ensuring it is consistent with the scope of the audit engagement.

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.

Re-appointment

As highlighted on page 43, the external audit relationship was tendered during the year. Due to the limited time period prior to which our auditor was to be rotated on a compulsory basis, Deloitte LLP ("Deloitte") did not participate in the tender and will not therefore be reappointed at the forthcoming AGM.

The tender process involved a number of prospective audit firms. Each firm was given wide access to the business in order to develop their audit approach and plan prior to presentation to the Audit and Risk Committee. Following this meeting a

recommendation based on quality, knowledge and experience was made to appoint Grant Thornton as auditor for financial year 2020, subject to shareholder approval at the AGM.

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. Furthermore 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 and the Committee will not approve (and the Company will not pay) any non-audit fees to the auditors on a contingent basis.

	2019	2018
Audit Fees	£445,000	£485,000
Non-Audit Fees		
– Audit related assurance services	£100,000	£41,000
– Other	£924,000	£0
– Total	£1,024,000	£41,000
Non Audit Fees as a percentage of audit fees	230%	8.5%
Total Auditor's Remuneration	£1,469,000	£526,000

Non-audit fees incurred in the year were incurred in respect of interim assurance work totalling £100,000 together with performing Reporting Accountant procedures in respect of the Group's equity raise and the disposal of Early Learning Centre totalling £924,000.

The Audit and Risk Committee has considered the fees in light of the audit fee and independence requirement however, acknowledge that Deloitte was best placed to do the work given the time frame, knowledge of the Group and independence.

Effectiveness

During the year, the Committee considered via an internal questionnaire the effectiveness of its own performance and that of the external audit with recommendations being implemented in the new financial year.

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.

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.

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.

Nick Wharton

Chair, Audit and Risk Committee

Nomination committee

Dear Shareholder

During 2019, and covered in part in last year's annual report and accounts, there were a number of changes to the Board overseen by this Committee as detailed later in this report.

I have now completed my first year as Executive Chairman and Committee chair and would like to thank my fellow and former Committee members for their work over the year.

The work of the Nomination Committee

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.

Composition of the Committee

The Committee currently comprises the Chairman and the two non-executive directors of the Company. When required, the Group Company Secretary provides support. The Committee's key roles and responsibilities are set out in the Corporate Governance report on page 40.

Activities of the Committee

The Committee met formally during the year supported by interviews and other conversations between Committee members. The Global People and Governance Director is also invited to attend meetings.

As noted in last year's report, there were two appointments made in early April 2018 overseen by this Committee resulting in the appointment of David Wood as CEO on 4 April 2018 and Clive Whiley as Interim Executive Chairman on 19 April 2018. An external search consultancy, Inzito, was used in respect of David Wood. Inzito has no other connections with the Company. Clive Whiley was invited to become Interim Executive Chairman without the services of a search consultancy. Following his resignation on 4 April 2018, on 18 May 2018 Mark Newton-Jones was reappointed to the Board.

Clive, Mark and Glyn were elected at the 2018 AGM.

In addition, the Committee conducted a search for a replacement Company Secretary following the resignation of Alice Darwall. Lynne Medini was promoted to the role of Group Company Secretary from within the organisation.

Performance evaluation

The Board commenced an externally facilitated board evaluation during 2018, hiring Ian White, experienced in company secretarial and board evaluation matters. The evaluation extended into 2019 in order to include the new directors. The output of the evaluation was presented to the Board during the first half of the year and recommendations implemented.

Diversity

The importance of improving the diversity balance (including gender) on boards of UK listed companies is recognised and forms part of Mothercare's Diversity, Inclusion and Equality Policy as described in more detail in the Corporate Responsibility section at page 30. Details of the Company's gender diversity are set out in the Corporate Governance report on pages 38 to 42.

Finally, I would like to thank all my fellow directors for their considerable hard work and support to the business during a year of so much change.

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

Approval

On behalf of the Nomination Committee

Clive Whiley

Chairman of the Nomination Committee

24 May 2019

Directors' report

The directors present their report on the affairs of the group, together with the financial statements and auditors' report for the 53-week period ended 30 March 2019. The corporate governance statement set out on pages 38 to 42 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 brand. The group operates in the UK principally through its stores and direct business, and globally in a further 50 countries and four continents 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 Early Learning Centre Limited (the assets of which were sold to TEAL on 22 March 2019). 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; Early Learning Centre Limited owned the ELC trade marks, operated the UK ELC business and acted as the franchisor to ELC franchisees worldwide up to 22 March 2019.

Commentary on the performance of the group and a review of the business strategy including an indication of future developments is set out in the Overview and Strategic Report sections of this report on pages 2 to 36. The principal risks and uncertainties facing the business are detailed in the Strategic Report at page 16 and the section on risks at page 13. 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 20 to 29. The group's going concern position is also set out in the Financial Review.

Viability statement

The viability statement is set out in the Financial Review on pages 28 to 29.

Dividend

The directors are not recommending the payment of a final dividend for the year and no interim dividend was paid during the year (2018: nil).

Capital structure

As at 23 May 2019, the Company's issued ordinary share capital was 341,743,770 ordinary shares of 1p each all carrying voting rights. The details of the Company's issued share capital as at 30 March 2019 are set out in note 25 to the financial statements. No shares were held in Treasury.

During the year, the Company restructured its share capital and raised equity through a placing and open offer. The former 170,871,885 ordinary 50p shares were subdivided into 170,871,885 ordinary shares of 1p each with voting rights and 170,871,885 deferred shares of 49p each with no voting rights, no entitlement to receive a dividend or other distribution or to further participate in the capital, profits or assets of the Company. A further 170,871,885 ordinary shares of 1p each were issued.

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 Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 and the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority, as at 30 March 2019, the Company had been advised by or was aware of the following interests above 3% in the Company's ordinary share capital:

Holder	Number of shares	Percentage of issued share capital
Mr Richard Griffiths	62,879,700	18.40
M&G Investment Management	55,338,922	16.19
FIL Investment International	34,162,735	10.00
UBS Global Asset Management	31,130,064	9.11
Majedie Asset Management	27,500,000	8.05
DC Thomson Pensions	27,169,375	7.95
Jupiter Asset Management	16,241,974	4.75

Directors' report

continued

During the period from 31 March 2019 to 24 May 2019 the following notifications were received:

Holder	Number of shares	Percentage of issued share capital
M&G Investment Management	64,937,112	19

Acquisition of own shares

The Company was given a general approval at the AGM in July 2018 to purchase up to 10 per cent of its shares in the market. This authority expires after the AGM on 26 July 2019. The authority has not been used during the year.

The shares held within the trusts are disclosed within the Directors' Remuneration Report at page 65.

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.

At the start of the financial year, the Group had successfully completed a refinancing with the support of its two Banks, HSBC Bank plc and Barclays Bank Plc. This gave the Group access to a Revolving Credit Facility ("RCF") of £675 million expiring in December 2020 with access to a further uncommitted overdraft facility of £5.0 million.

In the financial year the Group realised cash from a number of investments. In each case the proceeds were applied to the RCF reducing indebtedness from these actions by £32.5 million.

On 14 December 2018, the Group completed the sale and leaseback of its UK head office, the net proceeds of £14.5 million were used to reduce drawings under the bank facilities. At the same time, the uncommitted overdraft of £5.0 million was removed and the Group agreed with the banks to soften its covenant targets to December 2019.

On 12 March 2019, the Group agreed to sell Early Learning Centre to The Entertainer for £11.5 million. The first instalment of £6.0 million was received on 22 March 2019, with a further instalment of £5.5 million received on 15 May 2019; the proceeds were used to reduce the RCF to £24.5 million. Under the terms of the signed Curated Wholesale Agreement which governs the terms of future trading, a further £2.0 million is expected to be received over the next two years through an earn-out commission, taking the total consideration for the deal to £13.5m. In addition, the proceeds from selling excess Early Learning Centre stock will be applied against the RCF, with the limit stepping-down by £2.0 million increments in June, July and August.

On 25th April 2019, the Group closed the stores in Ayr and Paisley, leading to proceeds of £0.5m, which were used to further reduce the RCF.

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.

The following directors served during the 53-week period ended 30 March 2019:

Name	Appointment
Clive Whiley	Executive Chairman and chair of the nomination committee (appointed 19 April 2018)
Mark Newton-Jones	Executive director (to 4 April 2018 and from 18 May 2018)
Glyn Hughes	Executive director
Gillian Kent	Independent non-executive director and chair of the remuneration committee
Nick Wharton	Independent non-executive director and chairman of the audit and risk committee
Alan Parker	Chairman and non-executive director and chair of the nomination committee (to 19 April 2018)
Tea Colaianni	Independent non-executive director and chair of the remuneration committee (to 18 May 2018)
Lee Ginsberg	Independent non-executive director and chairman of the audit and risk committee (to 19 July 2018)
Richard Rivers	Independent non-executive director and Senior Independent Director (to 19 July 2018)
David Wood	Executive director (from 4 April to 21 November 2018). Details of payments for loss of office are set out in the directors' remuneration report at page 63

In accordance with the requirement of the UK Corporate Governance Code, at the Annual General Meeting of the Company in July 2019 all the directors currently appointed shall retire and offer themselves for re-election.

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

A statement of directors' interests in the shares of Mothercare plc and of their remuneration is set out on pages 64 and 59 respectively. A statement of directors' interests in contracts and indemnity arrangements is set out on page 42.

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 intranet, ClubHub, the colleague engagement groups (CEGs), briefings by the Chief Executive and other Operating Board members and senior management within the newly created business divisions of Mothercare Global Brand, Mothercare UK and Mothercare Business Services. These communications are extended to Mothercare UK's stores in the UK. The CEG is a forum for the exchange of information and views on matters that affect Mothercare employees and serve as consultative bodies where required. They are made up of elected representatives and several meetings were attended by the Chairman. The CEGs were consulted on the restructuring of the store estate and head office during the year.

The Company aspires to develop a loyal and high performing team through the development of its culture and values. Regular 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.

Disabled employees

The group is an equal opportunities employer committed to the promotion of equality and diversity throughout the business 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 will not be discriminated against because of their disability. We will assess their needs, provide support and where necessary make reasonable adjustments to the working environment.

Pensions

The Mothercare Staff Pension Scheme and the Mothercare Executive Pension Scheme were both closed to future accrual with effect from 30 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 31 to the financial statements.

A defined contribution scheme, the Legal & General WorkSave Mastertrust, was made available to all employees with effect from 30 March 2013 and is the designated scheme used for auto-enrolment of workers since 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 30 to 36.

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 33.

Auditors

Each of the persons who was a director of the Company at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Following a formal tender process, Grant Thornton UK LLP was appointed as the Company's new auditor with effect from the 28 March 2020 financial year. The appointment is subject to approval by shareholders at the Annual General Meeting of the Company on 26 July 2019.

Deloitte LLP will resign as auditor of the Company following completion of the 30 March 2019 audit. They did not participate in the tender due to the rules on the mandatory rotation of auditors. Grant Thornton UK LLP will be appointed to fill a casual vacancy and a resolution to appoint Grant Thornton UK LLP will be put to the AGM.

Political donations

It is the Company's policy not to make political donations and none were made during the year.

Post balance sheet events

Post balance sheet events are disclosed in note 33 to the financial statements.

Annual General Meeting

The 2019 Annual General Meeting will be held on Friday, 26 July 2019 at 11.00am 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.

Directors' report

continued

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 Company Secretary at the Company's head office.

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

The Directors' Report of Mothercare plc was approved by the Board and signed on its behalf by

Lynne Medini
Group Company Secretary

24 May 2019

Directors' remuneration report

REMUNERATION REPORT

STATEMENT FROM THE CHAIR

Dear Shareholder,

I was appointed as Chair of the Remuneration Committee on 14th September 2018 and I am pleased to present the Directors' Remuneration Report for the year ended 30 March 2019 on behalf of the Board.

This report contains the following parts:

- The Remuneration Committee's Annual Statement, which provides an overview of the key developments and remuneration decisions made during the financial year and sets the context for the remuneration outcomes for the financial year under review; and
- An Annual Report on Remuneration, which provides shareholders with details of the remuneration paid to the Executive Directors for the performance delivered in 2018/19 and a summary of the work of the Remuneration Committee in the year.

Both the Annual Statement and Annual Report on Remuneration will be subject to an advisory vote at the forthcoming AGM in July 2019; and

- The Directors' Remuneration Policy and LTIP which were approved by shareholders at a general meeting of the company held on Friday 29 March 2019 with 84.5% and 90.5% in favour respectively and can be referenced on our website.

Review of the 2019 financial year

Fiscal year 2019 has been a year of significant change in Mothercare. On the retirement of our Chairman Alan Parker on the 19 April 2018, we appointed Clive Whiley, a restructuring expert, as Interim Executive Chairman, to steer Mothercare through the refinancing and restructuring of the business which was achieved in May 2018, and working with the rest of the executive team, to continue to transform the business to deliver a sustainable and profitable future for the Company.

This transformation has included the UK store closure programme, product outsourcing, the creation of a leaner organisational structure, a revised Group structure and the reduction of net debt assisted by the sale and leaseback of the UK head office and the sale of Early Learning Centre.

This has required a huge effort from all involved and has touched every colleague in the UK and many in our international business. Whilst it has also created significant but necessary disruption, this is now largely behind us, and we closed the year in a more robust position with the right-sized organisation to deliver the next phase of our strategic transformation plan.

To support the changes in the business and ensure that the executive directors and senior management incentives are aligned to the implementation of our strategic transformation plan, a new directors' remuneration policy and long-term incentive plan were developed. These were approved following a major shareholder consultation at a general meeting of the company held on Friday 29 March 2019. This new policy replaced our 2017 Remuneration Policy and long-term value creation plan (VCP) which, in the view of the Committee, was no longer effective or appropriate given the Company's size and relative position in the FTSE Small Cap index. The new Policy also reflects emerging corporate governance best practice.

Directorate changes

Executive director changes

The beginning of 2019 saw a number of executive and non-executive directorate changes as the Company adapted to the changing requirements and size of the business.

Mark Newton-Jones stepped down as CEO on 4 April 2018 and re-joined the board as CEO on 18 May 2018. On his return as CEO his base salary was rebased from £618,000 to £480,000 to reflect the change in the Company's market capitalisation and its relative position in the FTSE Small Cap index. All other benefits remained unchanged on re-appointment and all previous share awards were restored.

David Wood who joined the Board as CEO on 4 April 2018, with a base salary of £430,000, was appointed Group Managing Director on 18 May 2018. The terms and conditions of his employment contract remained unchanged. David resigned on 21 November 2018 and remains an employee of the Company and will continue to receive his salary and benefits until the end of his notice period on 20 November 2019. Under the rules of the relevant plans, David's equity awards lapsed.

As referenced earlier Clive Whiley joined the Board as Interim Executive Chairman and Chief Restructuring Officer on 19 April 2018 for a minimum period of nine months. Clive receives an annual salary of £480,000 and is eligible to receive an annual bonus (Short Term Incentive Plan or STIP) award subject to clearly defined financial performance objectives. On 29 March, to provide a link between the Executive Chairman and shareholders and provide a level of retention, the Interim Executive Chairman received a one-off award of restricted shares with no performance conditions.

Directors' remuneration report

continued

Non-executive director changes

Our independent Non-Executive Chairman, Alan Parker, retired from the Board on 19 April 2018 after six years in the role. Alan continued to receive his fees from the date he left the Board to the expiry of his notice period on 18 October 2018 which was consistent with his service agreement.

Tea Colaianni resigned as non-executive director and Chair of the Remuneration Committee on 18 May 2018 to concentrate on her other board directorships.

Richard Rivers, Senior Independent Director, and Lee Ginsberg, Chair of the Audit and Risk Committee, stepped down as Non-Executive Directors from the conclusion of the Company's Annual General Meeting on 19 July 2018. Richard would have been entering his 11th year at Mothercare while Lee had taken on new roles outside the Company which impacted his commitment to support Mothercare. Nick Wharton, Non-Executive Director, was appointed Chair of the Audit and Risk Committee.

Salary review

The CFO, Glyn Hughes, was eligible for a salary review under the terms of his contract on appointment on 1 December 2017. Based on Glyn's performance and his taking on of additional responsibilities the Committee approved an increase in his base annual salary from £295,000, to £325,000 on 1 September 2018.

We are also committed to ensuring that all colleagues across the Group receive appropriate and fair pay. During the year, as part of the Head Office restructuring, all positions, grades and salaries were reviewed and aligned to reflect market benchmarks with every individual being paid competitively. In stores, new Mothercare hourly rates were agreed for implementation in 2020 paying above the national minimum wage and national living wage and with additional pay for those in specialist roles.

Annual bonus – STIP

For the year ended 30 March 2019, 50% of the annual bonus was dependent on achieving Group PBT performance targets and the balance based on a mix of strategic financial and non-financial objectives. Group PBT was not achieved and this portion of the annual bonus will not be paid. The remaining 50% of the annual bonus award was designed to keep the Executive Directors focused on the key strategic milestones required to deliver the transformation. The plan structure encouraged the Executive Chairman and CFO to predominantly concentrate on strategic financial goals including the refinancing of Mothercare and to achieve substantial cost savings for the organisation, it also encouraged the CEO on implementing the Company's operating model changes. Overall execution has been strong on these elements and on this basis, the Committee felt it appropriate to award an annual bonus. In line with the plan rules, outcomes range between 33% and 50% of salary. Full details can be found on page 60.

Long-term incentives

There was no LTIP vesting during the year.

Other remuneration decisions

The CEO and CFO agreed to a voluntary reduction in their notice periods from 12 months to 6 months and in their pension contributions from 15% to 10%.

Gender pay gap – the Group's second Gender Pay Gap report was published and is available at www.mothercareplc.com. The report shows that our pay gap remains largely unchanged from last year. Whilst it is disappointing that we are not yet seeing improvement, we are confident that the work we have done (as detailed in the report) – and continue to do – will have a greater impact over the years to come.

Outlook for the 2020 financial year

Details in relation to the application of the Directors' Remuneration Policy in 2020 are set out on page 68, however, the key elements are as follows:

- Due to both Company and economic factors and the wider business environment, base salaries for Executive Directors will remain unchanged. (The average pay change in pay rates, as a result of the new hourly rates, for the non-management store population in the wider workforce is 5.07%).
- The CEO and CFO annual bonus maximum opportunity will be subject to a maximum of 100% of base salary; this is a reduction from 125% of salary in line with the new remuneration policy and companies of a similar size. The bonus will be subject to the same mix of performance measures which consists of Group PBT (50%), with the remaining balance split between strategic financial objectives and strategic non-financial objectives.
- On 29th March 2019 we granted LTIP awards under our newly approved Policy at 70% of salary for the CEO and CFO. The sole performance measure for these awards is Relative Total Shareholder Return (TSR) against a selected group of FTSE retailers. 25% of the award will vest for Company performance equal to median performance of the comparator group and 100% vesting for performance

that is equal to or better than the upper quartile performance of the comparator group. These awards also carry a share price underpin of 30p to ensure that management is only rewarded for a meaningful recovery in the Company's share price and that there is a level of alignment of pay outs with the shareholder experience. As per our Policy, these awards will be subject to a two-year post vesting holding period.

- A one-off Chairman's Award of Restricted Stock was awarded to the Executive Chairman representing 30% of base salary; this was made in recognition of his role in the recovery of Mothercare and to ensure his services are retained over the next crucial period for the Company. In line with governance guidance and the planned transition of the Executive Chairman to a non-executive role at the end of the year the Committee recognised that it was not appropriate for him to participate in the LTIP.
- The new incentive plans including the LTIP and Chairman's Award will be subject to more robust malus and clawback provisions which now include reputational damage and corporate failure as triggers in addition to misconduct, misstatement and calculation errors.
- The maximum pension contribution for the CEO and CFO has been reduced from 15% to 10% of salary.
- Minimum shareholding requirements have also been increased to 200% of salary for the CEO and CFO.
- Executive Directors must now also hold shares post-cessation of employment equal in value to the lower of the shareholding requirement immediately prior to departure or actual shareholding on departure for two years.
- Non-Executive Directors' basic fee remains unchanged for 2020.

Conclusion

I hope that you find the information in this report helpful. We believe that our approach to executive remuneration and our new Policy are well designed to support the delivery of our transformation plan and reflect best practice in corporate governance. The Annual Report on Remuneration and Annual Statement will be subject to an advisory vote at the forthcoming AGM. We continue to value any feedback from Shareholders and hope to receive your support at the AGM in July.

Yours sincerely,

Gillian Kent

Chair of the Remuneration Committee

24 May 2019

REMUNERATION PHILOSOPHY

The key principles underpinning the Committee's approach to executive remuneration are:

- 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 REMUNERATION POLICY

The Remuneration Policy was approved at a General Meeting of the Company on 29 March 2019 and the Company is therefore not seeking approval for a new Policy at this year's AGM.

We summarise the changes from the previous Policy in the table below. Full details of the new Policy can be found in the Notice of General Meeting which is available on the Company's website (www.mothercareplc.com).

2017 Policy	Current Policy	Rationale
<ul style="list-style-type: none"> • Annual bonus maximum opportunity 125% of salary • Any bonus above 100% of salary paid in shares deferred for three years 	<ul style="list-style-type: none"> • Maximum opportunity of 100% of salary • Any bonus above 75% of salary deferred in shares deferred for three years 	<ul style="list-style-type: none"> • The Committee decided to reduce the maximum opportunity under the annual bonus in line with companies of a similar size

Directors' remuneration report

continued

2017 Policy	Current Policy	Rationale
<ul style="list-style-type: none"> Long-term incentives: 2017 Policy – VCP: Under the current Policy, the Executive Directors are eligible to participate in the VCP, sharing in share price growth above a threshold 2014 Policy – LTIP: Whilst the LTIP is included in the current Policy, it was agreed that further awards would not be made under the LTIP if the VCP was approved by shareholders. The maximum opportunity under the LTIP was 200% of salary 	<ul style="list-style-type: none"> 2019 Policy – LTIP awards with a focus on share price recovery Maximum opportunity under the Policy of 100% of salary with 2019 award levels at 70% of salary for the CEO and CFO LTIP Awards vest based on performance over three years and are subject to a two-year post-vesting holding period Enhanced malus & clawback provisions to apply to awards 	<ul style="list-style-type: none"> The VCP is no longer functioning as an effective long-term incentive plan Given the VCP is two years in to its three-year performance period and is expected to lapse, the Committee decided to introduce a long-term incentive which is better aligned to the principles of the Policy The Committee recognised that maintaining the same LTIP maximum opportunity as the 2014 Policy would be inappropriate given the current size of the Company and reduced the maximum opportunity of the new LTIP to 100% of salary For the 2019 grant of the LTIP awards were made at 70% of salary for the Executive Directors and it is the intention of the Committee that they will only make awards at the maximum Policy opportunity level if there is a significant recovery of the share price
<p>Executive Chairman remuneration:</p> <ul style="list-style-type: none"> No long-term award in current Policy 	<ul style="list-style-type: none"> Introduction of a one-off Chairman's Award of Restricted Stock with no performance conditions of up to 30% of salary Award vests after three years subject to continued service only and is subject to a minimum two-year holding period Furthermore, the Chairman must hold all vested shares (after income tax and NI) under the award while on the Board and is also subject to a further requirement to hold the shares for a minimum of one year after stepping down from the Board 	<ul style="list-style-type: none"> The Executive Chairman is key to the recovery of Mothercare and the Chairman's Award ensures the services of the Executive Chairman are retained for the crucial period covered by the Restricted Stock award. Given the planned transition of the Executive Chairman to a non-executive role at the end of the year, the Committee recognises that would not have been appropriate to make him an LTIP award with performance conditions The requirement to hold vested shares is in line with the key principle of sustained share price growth
<ul style="list-style-type: none"> Pensions: Maximum contribution of 15% of salary Recruitment provisions in line with the Policy 	<ul style="list-style-type: none"> Maximum contribution reduced to 10% of salary for the CEO and CFO Reduction in contribution for newly appointed executive directors to be in line with pension contributions prevailing in the wider workforce 	<ul style="list-style-type: none"> The Committee was conscious of the requirement under the Code that pension contributions should be aligned with the wider workforce The Executive Directors voluntarily reduced their contractual pension entitlement from 15% of salary to 10% to facilitate this change
<ul style="list-style-type: none"> Minimum shareholding requirement: 150% of salary shareholding requirement for the CEO and 100% of salary requirement for the CFO 75% of vested awards (after income tax and NI) LTIP awards must be retained until the requirement is met No post-cessation of employment shareholding requirement in place 	<ul style="list-style-type: none"> Increased minimum shareholding requirements of 200% of salary for the CEO and CFO 100% of vested LTIP awards (after income tax and NI) must be retained until the requirement is met Executive Directors must also hold shares post-cessation of employment equal in value to the lower of the shareholding requirement immediately prior to departure or actual shareholding on departure for two years 	<ul style="list-style-type: none"> A key facet of this Policy is sustained share price growth These changes help align the interests of the Executive Directors and shareholders in ensuring that the focus is on sustained shareholder value

Annual report on remuneration

This section reports on the activities of the Remuneration Committee for the financial year ended 30 March 2019. It sets out the details of remuneration during the reporting period, information required by the Regulations and plans for the next financial year. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (“the Regulations”) as amended in August 2013. The Annual Report on Remuneration and the Annual Statement will be put to an advisory shareholder vote at the Annual General Meeting on 26 July 2019.

- Remuneration in 2019: page 57
- Audited section: page 59
- Remuneration in 2020: page 68

Remuneration in 2019

Composition, remit and activity of the Remuneration Committee

The Remuneration Committee currently comprises two independent Non-Executive Directors – Gillian Kent (Remuneration Committee Chair) and Nick Wharton. The Chairman and Executive Directors will only attend Remuneration Committee meetings as and when invited by the Remuneration Committee Chair. The Group Company Secretary acts as secretary to the 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 Operating Board and oversight of remuneration policy for senior management below Executive Director and Operating Board member level, 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 five formal meetings during the year and three ad hoc meetings. Each member’s attendance at the meetings is set out on page 42 of the corporate governance report. The table below lists the detail and scope of actions arising from those meetings. The Committee’s detailed terms of reference are available on the Company’s website at www.mothercareplc.com.

Remuneration Committee Activity

The Committee considered the following matters during the financial year:

	Duties	Action
Strategy and policy	<p>To set the remuneration policy for all Executive Directors and the Company Chairman and senior management.</p> <p>To ensure compliance with the Remuneration Policy.</p>	<p>A new Directors’ Remuneration Policy was approved at a General Meeting on 29 March 2019. The Policy took effect for a period of up to three years from this date. It was developed taking into account the principles of the UK Corporate Governance Code 2018 and the latest guidelines from investor groups.</p>
Recruitment		<p>Clive Whiley was appointed Executive Chairman on 19 April 2018. The Committee approved Clive’s remuneration package in line with the Policy.</p>

Annual report on remuneration

continued

	Duties	Action
Salary	<p>To recommend to the Board the remuneration for all Executive Directors, the Chairman and the Company Secretary, and consider the levels and structure of remuneration for Executive Committee members and other members of senior management.</p> <p>Approval of any pay awards to the Executive Directors or Executive Committee.</p>	<p>On Mark Newton-Jones's reappointment to the Board, his salary was rebased to £480,000.</p> <p>In line with the Remuneration Policy an annual review of salaries was undertaken and no further changes were applied save as set out below.</p> <p>No change was applied to Glyn Hughes' salary beyond the implementation of the increase from his salary from £295,000 to £325,000 on 1 September 2018.</p> <p>No salary increases were made for the Operating Board in March 2019.</p> <p>In addition, the Committee also considered the results of the general staff pay review. It supported (i) the benchmarking review carried out during the Head Office restructure; and (ii) the increase of the Mothercare minimum wage to £8.30/hour (from age 21) with effect from 1 April 2019 which means the Company continues to pay above the national living wage.</p>
Annual bonus - STIP	<p>To determine targets and monitor performance against those targets for any performance-related pay schemes operated by the Company, and approve the total annual payments made under such schemes.</p>	<p>Approved the full year 2019 targets and weightings for Clive Whiley, Mark Newton-Jones, David Wood and Glyn Hughes.</p> <p>Approved 2019 Annual bonus awards for Clive Whiley, Mark Newton-Jones and Glyn Hughes as reported on page 60.</p>
Long term incentives	<p>To review the design of all share incentive plans for approval by the Board and shareholders.</p> <p>For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors and other designated senior executives and the performance targets to be used.</p>	<p>A new long-term incentive plan (LTIP) was approved at a General Meeting on 29 March 2019.</p> <p>Approved LTIP awards and the Executive Chairman's award under the new LTIP. The awards were made with the proviso that, should the VCP vest – which in the Committee's opinion is unlikely, the LTIP will not pay out to those participating in the VCP.</p>
Benefits	<p>To recommend to the Board the remuneration for all Executive Directors, the Chairman and the Company Secretary, and consider the levels and structure of remuneration for Executive Committee members and other members of senior management.</p>	<p>During the year the Executive Directors voluntarily reduced their pension contributions from 15% to 10% and the Executive Directors also reduced their annual bonus entitlements from 125% to 100%. The Executive Chairman received private medical expenses insurance and life insurance with effect from 14 December 2018. No other changes made to Executive Director or Executive Committee benefits during the year.</p>

Single total figure remuneration table (audited)

The table below shows the single total figure remuneration for qualifying services in 2019 with comparative figures for 2018.

Director	Salary and fees		Benefits		Pension		Annual bonus		Long Term Incentives ⁵		Other		Total	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Executive														
Clive Whiley ¹	456		0	–	–	–	240						696	–
Mark Newton-Jones ²	433	618	11	13	58	966	158	0	0	0	0	0	660	727
David Wood ³	274	–	8	–	41	–	0	–	–	–			323	
Glyn Hughes ⁴	318	91	12	4	35	14	163	0	0	0	0	0	528	109
Non Executive														
Gillian Kent ⁷	44	48	0	0									44	48
Nick Wharton	44	48	5	2									49	50
Alan Parker ⁸	10	188	0	0									10	188
Lee Ginsberg ¹⁰	15	56	0	0									15	56
Richard Rivers ¹⁰	14	53	0	0									14	53
Tea Colaianne ⁹	7	56	1	1									8	57

1 Clive Whiley joined as a Director on 19 April 2018 on an annual salary of £480,000.

2 Mark Newton-Jones's salary on 4 April 2018, when he ceased to be a director, was £618,000. He returned to an executive director role on 18 May 2018 on a rebased salary of £480,000.

3 David Wood joined as a Director on 04 April 2018 and ceased to be a director on 21 November 2018. His salary, benefits and pension represent the actual amounts paid during the financial year. In line with the terms of the Remuneration Policy he was not eligible for a bonus payment.

4 Glyn Hughes became an Executive Director on 1 December 2017. His salary, benefits and pension represent the actual amounts paid during the financial year.

5 LTIP and VCP awards for Mark Newton-Jones were restored upon his reappointment to the Board. Glyn Hughes did not have any long-term incentives eligible for vesting for the 2019 performance year.

6 In 2018 Mark Newton-Jones received an overpayment of £2,915 of his pension supplement in error. This was recovered during 2019.

7 Gillian Kent received a pension contribution in error, this is being corrected during 2020.

8 Alan Parker retired as non-executive chairman on 19 April 2018.

9 Tea Colaianne resigned as a director on 18 May 2018.

10 Lee Ginsberg and Richard Rivers stepped down as directors at the annual general meeting held on 19 July 2018.

Executive Director base salary (audited)

Clive Whiley's salary on joining on 19 April 2018 was £480,000

Mark Newton-Jones's salary on 4 April 2018 was £618,000. Upon his return to an executive director position on 18 May 2019, his salary was rebased to £480,000.

David Wood's salary was £430,000. See page 63 for payments for loss of office.

Glyn Hughes was appointed on 1 December 2017 and his annual salary was set at £295,000. This increased to £325,000 following a review of Glyn's performance and increased responsibilities on 1 September 2018.

Non-Executive Director fees (audited)

The Non-Executive Directors' fees remained unchanged in the year. Further information is available on page 70.

Taxable benefits (audited)

Benefits for Executive Directors typically include a company car, medical insurance and other similar benefits. For Non-Executive Directors, reimbursement of certain expenses relating to the performance of such 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 ensures that the director is not out of pocket by settling the related tax via a PAYE Settlement Agreement (PSA). In line with current regulations, these taxable benefits have been disclosed and the gross figures are shown in the taxable benefits column in the single total figure remuneration table above.

Total pension entitlements (audited)

Base salary is the only element of remuneration included in pensionable earnings. During the year, Mark Newton-Jones and Glyn Hughes received 15% of their base salary as a pension contribution from the Company to 31 January 2019 and voluntarily reduced their entitlement to 10% of their base salary from 1 February 2019. David Wood received 15% of his base salary during his tenure.

Annual report on remuneration

continued

None of the directors have a prospective entitlement to a defined benefit pension by reason of qualifying services. Clive Whiley does not receive a pension contribution.

Annual Bonus Plan (audited)

In the table below, we summarise the achievement of each performance measure.

	Maximum (% of salary)	Achievement (% of maximum)			Pay-out (£000)
		Group PBT	Financially based strategic measures	Non-financial strategic measures	
Clive Whiley	100%	0%	40%	10%	£240,000
Mark Newton-Jones	100% ¹	0%	20%	13%	£158,400
David Wood ²	125%		Not eligible		
Glyn Hughes	100% ¹	0%	40%	10%	£162,500

1 Mark Newton-Jones and Glyn Hughes voluntarily elected to reduce their maximum opportunity under the annual bonus to 100% from 125% during the year.

2 David Wood ceased to be a director on 21 November 2018 and in line with the terms of the Remuneration Policy was not eligible for a bonus payment.

The Committee acknowledges the importance of the contributions of Clive Whiley and Glyn Hughes, in particular their work on the refinancing and restructuring which is pivotal to the continued success. The Committee also acknowledges Mark Newton-Jones' contribution to the restructuring and the ongoing development of the company's customer offer as well as his taking on additional objectives during the year.

In recognition of these contributions, the Committee approved a bonus payment to the Executive Directors. We provide a breakdown of the assessment of performance for each element of the award below.

It should be noted that each of the elements of the award operate independently of each other, for example the financial strategic objectives can vest without the Group PBT objective being met and vice versa. It should also be noted that the financial strategic objectives and non-financial strategic objectives comprise of multiple measures and each individual measure can also vest independently of other measures.

Group PBT objective (50% of total award) for 2019

Measure	Detail	Assessment	Total Score (%)
Group PBT	Achieve target of £5.9m	Not met	0%

Financial strategic objectives (40% of total award) for 2019 - these objectives were shared by both the Chairman and the CFO in the year.

Measure	Detail	Assessment	Total Score (%)
Refinancing	Secure the refinancing of Mothercare including: Maintaining the banks' facilities, securing bridge finance, complete the CVA and equity raise post CVA	All the targets were achieved, including maintaining the banks' facilities of £67.5m, securing bridge financing of £8m, completing the CVA with pension scheme support by July 2018 and raising £32.5m equity post CVA	Chair: 25% CFO: 20%
Cost savings	Achieve annualised cost savings of £19m Achieve an additional £10m of annualised cost savings whilst securing long-term business viability	Annual cost savings were achieved through the CVA, product outsourcing and the organisation restructure Substantially achieved	15%
Net debt (CFO only)	Achieve closing net debt target	Target was exceeded	5%

Non-financial strategic objectives for 2019 – the non-financial strategic objectives were set individually for the Chairman, CEO and CFO and the tables below outline each Executive Director's targets.

Clive Whiley

Measure	Detail	Assessment	Total Score (%)
Future operating model	Lead the development and delivery of the new organisational structure and operating model for the long term success of the company with delivery to key milestones	Design and delivery of the new organisational structure and operating model achieved in full	10%

Mark Newton-Jones

Measure	Detail	Assessment	Total Score (%)
Franchise model	Secure the international franchise model	Achieved, with Reliance signed as the new franchise partner in India	5%
Global sourcing	Launch new global sourcing model	Achieved with the negotiation and contract with W E Connor as the new responsible sourcing partner and started the migration to them	10%
Wholesale model	Implement 1 new partner trial	Achieved	5%

Additional objectives taken on by Mark Newton-Jones following the departure of David Wood, who, in line with the remuneration policy, was not eligible for a bonus payment.

Measure	Detail	Assessment	Total Score (%)
Ecommerce	Lead the development of Mothercare's ecommerce channel including the development and delivery of the roadmap to increase critical KPIs and grow the channel above budget	Ecommerce channel did not meet the expectations set for the year	0%
UK retail	Lead and develop the UK store performance and specialist service levels to improve NPV	All CVA stores were closed ahead of plan. A specialist instore development programme has been devised and is in the process of being rolled out.	8%
Brand	Reposition the Mothercare brand and build the proposition to be more relevant and engaging to our core customers	Achieved through branding campaigns and improvement in customer engagement measure from 81% to 84%	5%

Glyn Hughes

Measure	Detail	Assessment	Total Score (%)
Investor relations	Develop and build trust and confidence in the transformation plan among key shareholders	Substantially achieved through consistent and continuous shareholder contact over the last year generating support for the transformation	10%

The Committee remains committed to transparent reporting in all aspects within the framework of operating in a highly competitive international market. The Committee will continue to assess the commercial sensitivity of measures and targets with the aim of disclosing wherever possible.

Whilst the CEO's and CFO's 2019 maximum bonus opportunities were set at 125% of base salary (the same as in 2018), during the year they voluntarily reduced their maximum opportunity to 100% of base salary. In line with the new Remuneration Policy, the maximum opportunity is now 100% with up to 75% of salary payable in cash. Any bonus payable in excess of this is delivered in shares vesting after three years subject to the participant's continued employment. The annual bonus payments for 2019 did not exceed 75% of salary and so there was no deferral.

Annual report on remuneration

continued

Long term incentive plans (audited)

LTIP 4

The LTIP 4 award granted in June 2015 was tested in relation to the relative TSR position at the end of 2018 and the threshold target was not met. Consequently, there was nil vesting under this element as reflected in the single figure table. The Group PBT element was measured following the announcement of the 2019 financial results and no vesting for this element of the award. The Committee did not exercise any discretion in this regard.

Measure	Weighting (% of total award)	Threshold ¹ (25% vesting)	Maximum ¹ (100% vesting)	Outcome	Vesting of this element
Relative TSR against FTSE All Share Retailers	50%	Median	Upper quartile	Below median	0%
Group PBT	50%	£55m	£70m	Below threshold	0%

¹ Straight line vesting between threshold and maximum

The LTIP 4 award for Mark Newton-Jones was reinstated upon his reappointment as CEO.

LTIP 5

The LTIP 5 award granted in August 2016 is subject to two performance measures - an underlying EPS growth target, which accounts for 50% of the award and relative TSR which accounts for the balance. Half of any awards vesting under LTIP 5 will be released after the end of the three-year performance period with the remaining half subject a further holding of one year.

Measure	Weighting (% of total award)	Threshold ¹ (25% vesting)	Maximum ¹ (100% vesting)	Outcome	Vesting of this element
Relative TSR against FTSE All Share Retailers	50%	Median	Upper quartile	Below Median	0% ¹
EPS	50%	25% CAGR	35% CAGR	Below Threshold	0%

¹ Straight line vesting between threshold and maximum

The EPS performance period concluded at the end of 2019 and performance was below threshold leading to this element lapsing.

The TSR performance period concludes in August 2019, however, performance as at the end of 2019 was tested and it is unlikely that there will be any vesting under this element.

As performance was substantially completed during this financial year, this amount is reported in the single figure table, however this figure will be updated in the 2020 annual report if required.

The LTIP 5 award for Mark Newton-Jones was reinstated upon his reappointment as CEO.

New LTIP 2019 (audited)

The LTIP 2019 was awarded on 29 March 2019 and is subject to a relative TSR performance measure with a share price underpin of 30p. Vesting occurs on the third anniversary subject to the testing of the performance conditions. For the executive directors all awards vesting will be subject to an additional two-year holding period.

Measure	Weighting (% of total award)	Threshold ¹ (25% vesting)	Maximum ¹ (100% vesting)
Relative TSR against bespoke FTSE Retailers with 30p share price underpin	100%	Median	Upper quartile

¹ Straight line vesting between threshold and maximum

The LTIP2019 performance period concludes at the end of 2022. The table below sets out the plan interests awarded during the year to executive directors.

Director	Plan	Basis of award	Face value	% vesting at threshold performance	Number of shares	Performance period end
Mark Newton-Jones	LTIP2019	70%	£336,000	25%	1,806,257	2022
Glyn Hughes	LTIP2019	70%	£227,500	25%	1,222,987	2022

The number of share options were calculated using an average share price of £0.186 per share. This was calculated by reference to the average closing share price over a period of the 30 business days ended 28 March 2019.

Chairman's award

During the year, a one-off award of restricted shares was made to the Executive Chairman. There are no performance conditions attached to the award and vesting is dependent on the Executive Chairman's continued employment with the Company. This award is due to vest at the end of 2022 and all vested awards are subject to a further two year holding period.

Director	Plan	Basis of award	Face value	Number of shares	Vesting Date
Clive Whiley	LTIP2019 – Chairman's award	30%	£144,000	774,110	29 March 2022

The number of conditional share award options were calculated using an average share price of £0.186 per share. This was calculated by reference to the average closing share price over a period of the 30 business days ended 28 March 2019.

VCP

In 2018 a one-off award under the 5-year VCP was granted in place of future annual awards under the former LTIP.

VCP parameter	Implementation
Hurdle	Share price of £2.00
Performance & holding period	Overall 5-year period: <ul style="list-style-type: none"> 3-year performance period to 28 March 2020 2-year phased holding period
Participation pool / value delivered	If hurdle of £2.00 is achieved at the end of the 3-year period, award delivers 12.5% of growth in value above £1.50
Measurement and value delivered	If share price adjusted for dividends at end of 3 years is at least £2.00, award delivers 12.5% of growth in value above £1.50
Award limit	Dilution capped at 5% of issued share capital over 5 years for all plans

In 2018 Mark Newton-Jones was granted an award under the VCP of 4.375% (35% of the total 12.5% pool) of the value created above a starting share price of £1.50 if a hurdle share price of £2.00 is met up to a maximum of 4.5 million shares. Mark Newton-Jones's entitlement lapsed on 4 April 2018 but was reinstated following his reappointment as CEO on 18 May 2018.

On his appointment as CFO Designate prior to his appointment as an Executive Director, Glyn Hughes was granted an award under the VCP of 1.75% (14% of the total 12.5% pool) of the value created above a starting share price of £1.50 if a hurdle share price of £2.00 is met up to a maximum of 1.8 million shares.

Both the CEO and CFO are participants in the VCP. However, at the current share price, it is projected that no vesting will occur under the VCP. In the unlikely event that the VCP does pay out based on performance, the new LTIP will not pay out to those participating in the VCP.

Payments to past directors (audited)

There were no payments made to past Directors.

Payments for loss of office (audited)

The following payments were made during the year to those who were directors for part of the year:

	Salary £000	Benefits £000	Pension £000
Mark Newton-Jones (4 April to 18 May 2018)	77	2	12
Alan Parker (20 April to 18 October 2018)	64	–	–
David Wood (22 November to 30 March 2019)	153	4	23

Annual report on remuneration

continued

Statement of shareholding and share interests (audited)

Executive Directors are expected to build up a shareholding in the Company. After five years, the CEO and CFO are expected to hold shares in the Company equal to 200% of base salary. There is no requirement for the Executive Chairman to build up a shareholding in the Company.

The Executive Directors are committed to building up their shareholding in Mothercare.

Since their appointments in 2014 and 2017 respectively the CEO and CFO have purchased 2,258,552 and 353,204 shares respectively at an average price of 40.8p and 36.6p per share representing 192% and 39% of their gross salaries.

The levels of share ownership as at 30 March 2019 are shown below:

Director	Shareholding requirement (% salary) ¹	Current shareholding (% salary) ²	Shares held directly		Shares			Options		Shareholding requirement met?
			Other	Legally owned as at 30 March 2019	Legally owned as at 24 March 2018	Subject to performance conditions	Not Subject to performance conditions	Vested but unexercised	Unvested LTIP interests	
Executive Directors										
Clive Whiley	n/a	n/a	500,000	–	–	–	–	774,110	–	n/a
Mark Newton-Jones	200%	92.6%	2,296,710	733,576	–	–	–	2,973,963	130,984	no
Glyn Hughes	200%	21.4%	353,204	123,799	–	–	–	1,222,987	–	no
David Wood ⁴	200%	45.79%	1,000,000	–	–	–	–	–	–	no
Non-Executive Directors										
Gillian Kent	n/a	n/a	–	–	n/a	n/a	n/a	n/a	n/a	n/a
Nick Wharton ³	n/a	n/a	14,592	7,296	n/a	n/a	n/a	n/a	n/a	n/a
Alan Parker ⁴	n/a	n/a	562,428	562,428						
Lee Ginsberg ⁴	n/a	n/a	10,830	10,830						
Richard Rivers ⁴	n/a	n/a	210,869	210,869						
Tea Colaianni ⁴	n/a	n/a	40,000	40,000						

1 Executive Director shareholding to be built up within five years of joining the Company

2 Shareholding percentage was calculated by reference to the average mid-market quoted share price over the 30 days to the balance sheet date

3 Nick Wharton's interest is held by his spouse, a person closely associated

4 Holding as at termination date

There were no movements in the shareholding of current directors since the year end and the date of finalising this report, 24 May 2019.

The outstanding awards as at 30 March 2019 under the LTIP, deferred annual bonuses and SAYE are set out in the table below.

Director	Plan	Date of award	Number of awards at 24.03.18	Awards granted	Awards vested	Awards lapsed	Number of awards at 30.03.19	Exercise price	Date at which award vests	Expiry date of awards
Clive Whiley	LTIP 2019 Chairman's award	29.03.19	–	774,110	–	–	774,110	Nil	29.03.2022	29.03.2029
Mark Newton-Jones	SAYE	03.01.19	–	130,984	–	–	130,984	13p ⁴	01.03.22	30.08.22
		22.12.16	20,000	–	–	20,000	0	90p	01.03.20	30.08.20
	LTIP 3	12.12.14	989,011	–	–	989,011	0	Nil	50% end FY17 ¹ 50% end FY18 ¹	12.12.24
	LTIP 4	03.06.15	522,079	–	–	261,039	261,040	Nil	50% end FY18 ¹ 50% end FY19 ¹	03.06.25
	LTIP 5	08.08.16	906,666	–	–	–	906,666	Nil	50% end FY19 ¹ 50% end FY20	08.08.26
Glyn Hughes ²	LTIP 2019	29.03.19	–	1,806,257	–	–	1,806,257	Nil	29.03.2022	29.03.2029
	Annual Bonus (deferred shares)	03.06.15	31,545 ²	–	38,158	–	0	Nil	03.06.18	N/A
	SAYE	–	–	–	–	–	–	–	–	–
	LTIP 2019	29.03.19	–	1,222,987	–	–	1,222,987	Nil	29.03.2022	29.03.2029

1 Vesting is determined by the Committee following publication of the preliminary results for the respective financial year.

2 31,545 adjusted following the placing and open offer to 38,158.

3 The CEO and CFO also have outstanding VCP awards, the CEO's being 4.375% (35% of the total 12.5% pool) and the CFO's being 1.75% (14% of the total 12.5% pool) of the value created above a starting share price of £1.50 if a hurdle share price of £2.00 is met up to a maximum of 1.8million shares.

4 Option price of 13p calculated on the three day average MMQ on 23/26/27 November 2018 discounted by 20% as provided for under the plan rules.

The table above shows the maximum number of shares that could have been released if awards were to vest in full. As at the date of this report in 2018, all outstanding awards in this table had lapsed in line with the plan rules. However, upon Mark Newton-Jones's reappointment to the Board, his awards were restored.

Mothercare Employees' Share Trustee Limited

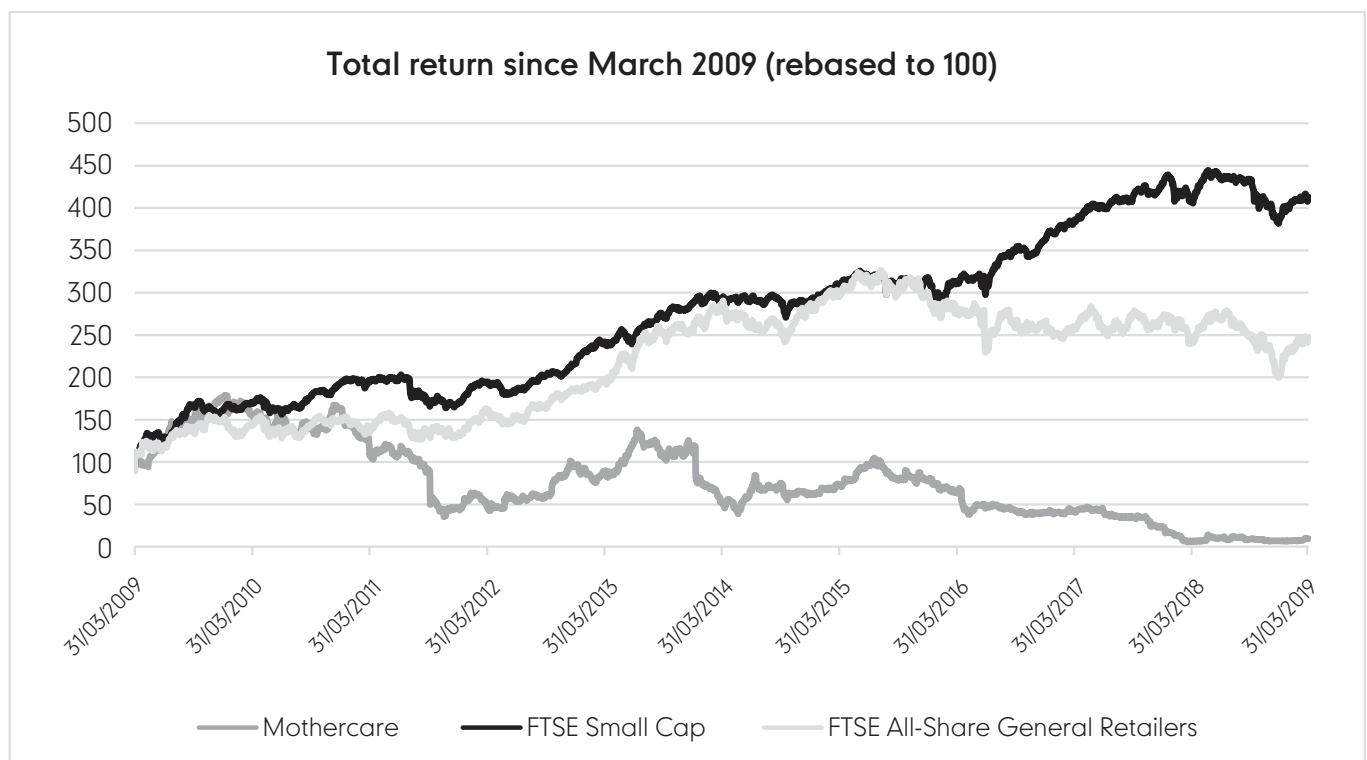
The Mothercare Employees' Share Trustee Limited, held 5,986 Mothercare plc shares in trust on 30 March 2019 (24 March 2018: 5,986 shares). A separate trust, the Mothercare Employee Trust, held 988,022 shares on 30 March 2019 (24 March 2018: 1,013,707 shares).

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

Performance graph

The performance graph below shows the Group's TSR against the return achieved by the FTSE Small Cap index. Given the Company's share price and market capitalisation, the Committee believes that the FTSE Small Cap represents the most appropriate index for comparison.

The graph also shows performance against the FTSE All Share General Retailers Index, given the Company is a constituent of this index. The graph shows the ten financial years to 30 March 2019.



Annual report on remuneration

continued

CEO remuneration table

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

Year	CEO	CEO single figure of total remuneration (£000s)	Annual bonus pay-out against maximum (%)	Long term incentive vesting against maximum opportunity (%)
2019	Mark Newton-Jones ¹	622	33%	0%
2019	David Wood ¹	323	0%	0%
2018	Mark Newton-Jones	727	0%	0%
2017	Mark Newton-Jones	718	0%	0%
2016	Mark Newton-Jones	814	0%	0%
2015	Mark Newton-Jones	774	46%	0%
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 The figures in the table above represent the single figure numbers for the whole year for the individuals who undertook the role of CEO during the year. In respect of David Wood, he was CEO between 04 April 2018 and 18 May 2018, his salary for this period was £274,000.

Mark Newton-Jones was appointed CEO on 17 July 2014 and stepped down from that position on 4 April 2018 and was reappointed on 18 May 2018. David Wood was appointed as CEO on 4 April 2018 and became Group Managing Director on 18 May 2018; he resigned from the board on 21 November 2018. 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.

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 2018 and 2019.

	CEO			Average of salaried employees		
	2019 £	2018 £	% Change	2019 £	2018 £	% Change
Base Salary p.a.	480,000	618,000	-22.33%	37,398	39,148	-4.5% ¹
All taxable benefits ²	11,392	12,928	-11.9%	6,134	6,073	1.0%
Annual Bonuses	158,400	-		-	-	n/a

¹ Average salary excludes hourly paid employees due to the variability in the hours they work and includes salaries for part-time employees.

² Mark Newton-Jones's taxable benefits are actual spend and include car allowance and medical.

Relative importance of spend on pay

The following table sets out the percentage change in dividends and overall spend on pay in 2019 compared to 2018.

	2019	2018	% Change
Dividend	Nil	Nil	0
Employee Remuneration	£63.4m	£71.3m	-11.1%

Employee remuneration taken from note 7 on page 105, includes hourly paid employees and excludes ELC discontinued operations. 2018 figure adjusted for 53rd week.

Advisors to the Committee

The Committee retains external suppliers to provide advice on specific topics during the year, some of whom attend Committee meetings at the invitation of the Chair. The Committee has also consulted with the CEO, CFO, People and Governance Director and Group Company Secretary. No Executive has been present for discussions in relation to their own remuneration.

People or Organisation	Scope	Fees
PricewaterhouseCoopers LLP (PwC)	Advice in relation to executive remuneration and benchmarking, incentive design, shareholder consultation and attendance at various Committee meetings.	£59,600 excluding VAT, calculated based on both hourly rates and fixed fee bases. (2018 £91,100).

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 also provides certain other advice and non-audit services to the Group (including VAT advice). 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.

Statement of voting at General Meeting

The 2018 Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) was approved at the Annual General Meeting held on 19 July 2018. The revised Directors' Remuneration Policy and establishment of a new long-term incentive plan (LTIP) were approved at the General Meeting held on 29 March 2019. Having passed a binding vote at that General Meeting on 29 March 2019 the Policy is next subject to a binding vote in 2022.

The resolutions were passed on a show of hands at the meetings. The following proxy votes were received in advance.

Meeting	Resolution	Votes For (including Discretion)	% of Votes For (including discretion)	Votes Against	% of Votes Against	Total votes cast (excluding withheld)	Votes Withheld*	% of votes withheld
AGM 19.07.18	To approve the Directors' remuneration report (2018)	108,318,373	81.92	23,912,054	18.08	132,230,427	77,805	0.06
GM 29.03.19	To approve the Directors' Remuneration Policy (2019)	230,313,298	84.52	42,185,076	15.48	272,498,374	59,811	0.02
GM 29.03.19	To approve the establishment of a long-term incentive plan ("LTIP")	246,573,026	90.49	25,915,344	9.51	272,488,370	69,815	0.03

* 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 19 July 2018, the Company's issued share capital and total voting rights consisted of 170,871,885 ordinary shares each carrying voting rights.

As at 29 March 2019 the Company's issued share capital and total voting rights consisted of 341,743,770 ordinary shares each carrying voting rights.

There are no shares in treasury. As a result, proxy votes representing approximately 77% of the voting capital were cast for the 2018 AGM and 79% for the 29 March 2019 General Meeting.

Prior to the meetings the Committee sought to engage with shareholders as much as possible, consulting with major shareholders who made up c80% of the Company's shareholding register as well as consulting with shareholder advisory bodies. The Committee received positive feedback for the proposals and made several changes to the policy and LTIP as a result of this process.

Following the results of the General Meeting which saw the new Directors' Remuneration Policy receive a vote 'for' of 84.52%, the Committee granted awards under the LTIP on 29 March 2019 to the CEO, CFO and a one-off Chairman's award.

The Committee will continue to engage with shareholders and their advisory bodies on an ongoing basis as appropriate.

Annual report on remuneration

continued

Statement of implementation in 2020

Executive Directors

Base pay

Executive Director salaries are normally reviewed in March each year. In light of the Company's trading and profit position, it was decided not to increase base salaries for 2020. Base salaries will be reviewed again in March 2020.

Job Title	Name	2019/20	2018/19	Increase
Executive Chairman	Clive Whiley	£480,000	£480,000	0%
CEO	Mark Newton-Jones ¹	£480,000	£480,000	0%
CFO	Glyn Hughes	£325,000	£325,000 ²	0%

¹ Upon his reappointment to the Board on 18 May 2019, Mark Newton-Jones's base salary was rebased to £480,000

² With effect from 1 September 2018 Glyn Hughes' base salary increased to £325,000.

Annual bonus (STIP)

All Executive Directors' 2020 maximum bonus opportunity is 100%. In line with the new Remuneration Policy any award up to 75% of salary will be payable in cash. Any bonus payable in excess of this will be delivered in shares vesting after three years subject to continued employment.

The performance measures and weightings for the Executive Chairman for 2020 are outlined below.

Measure	Weighting
Group PBT	50%
Financially based strategic measures	50%

The performance measures and weightings for the CEO and CFO for 2020 are outlined below:

Measure	Weighting CEO	Weighting CFO
Group PBT	50% minimum	50% minimum
Financially based strategic measures	20%	20%
Non-financial strategic measures	30% maximum	30% maximum

Due to the potential impact on our commercial interests, annual bonus targets are considered commercially sensitive and therefore will be disclosed in the 2020 Remuneration Report following completion of the financial year.

Measures and targets will be set taking into account the Company's current financial position and the imperative to focus on the delivery of a successful plan to improve performance.

Long term incentive awards

The award made under the LTIP at the end of 2019 carries a performance period that spans 2020 to 2022. This award was granted within the terms as set out in the new Remuneration Policy. Details of this grant can be found on page 62 of this report.

In line with the new Remuneration Policy, any awards made under the LTIP are within the maximum LTIP opportunity of 100% of salary. All Executive Directors' awards carry a performance period of 3 years and vested awards will be subject to an additional two-year holding period. Performance conditions attached will be decided by the Remuneration Committee and be aligned to the Company's strategic objectives.

No further award will be made to the Executive Chairman under the LTIP and no further awards will be made under the VCP.

Pensions and benefits

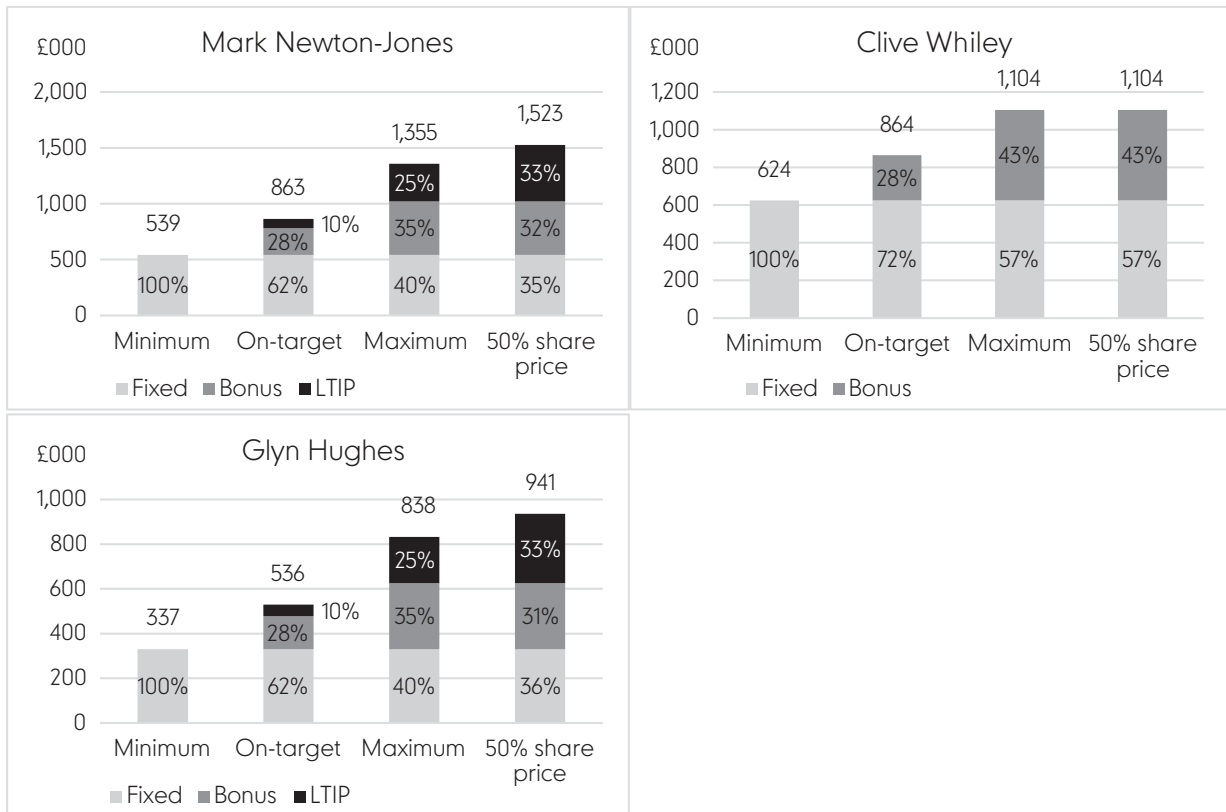
There are no changes proposed for pensions and benefits, and these will be provided in line with the approved Policy.

Illustrations of application of Remuneration Policy

The Policy results in a significant proportion of the remuneration received by executive directors being dependent on Company performance. The charts below show how total pay for the CEO and CFO vary across various performance scenarios.

Minimum	Target	Maximum	Maximum with 50% share price growth
Comprises fixed elements of pay being salary, benefits and pension.	Comprises fixed elements of pay	Comprises fixed elements of pay	Comprises fixed elements of pay
The Executive Chairman does not receive any additional benefits or a pension			
The value of salary and pension is calculated based on the annual salary and employer pensions contributions. The value of the benefits received is for the FY2018/9 year end	Assumes 50% pay-out of the annual bonus	Assumes 100% pay-out of the annual bonus	Assumes 100% pay-out of the annual bonus
This scenario assumes no pay-out under the annual bonus and LTIP.	Assumes threshold pay-out of the LTIP	Assumes maximum pay-out of the LTIP	Assumes maximum pay-out of the LTIP plus the value resulting from a share price growth of 50%

For the Executive Chairman, the Chairman's Award is included in full as there are no performance conditions attached to this award. No share price appreciation has been shown for the Chairman's Award as there are no performance conditions.



Annual report on remuneration

continued

The Non-Executive Directors

In 2018 the Non-Executive Directors offered to reduce their fees and the Company accepted. There has been no change to the fees since the reduction became effective in February 2018. Expenses incurred are reimbursed in accordance with the normal business expense policy.

Job Title	Name	2020	2019	Change	Notes
NED	Gillian Kent	£47,500	£47,500	0%	Includes supplementary fee of £7,500 as Chair of the Remuneration Committee
NED	Nick Wharton	£47,500	£47,500	0%	Includes supplementary fee of £7,500 as Chair of the Audit and Risk Committee

APPROVAL

This report was approved by the Board of Directors on 24 May 2019 and signed on its behalf by Gillian Kent, Chair of the Remuneration Committee.

Financial statements

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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), including FRS 101 "Reduced Disclosure Framework". 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;
- 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 annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This responsibility statement was approved by the board of directors on 24 May 2019 and is signed on its behalf by:



Mark Newton-Jones
Chief Executive Officer



Glyn Hughes
Chief Financial Officer

Independent auditor's report to the members of mothercare plc

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Mothercare plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 30 March 2019 and of the group's loss for the 53 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; 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.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related consolidated notes 1 to 34 and parent company 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, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial statements, concerning the Group's ability to continue as a going concern. As at 30 March 2019 the Group had net debt of £6.9 million (2018: £44.1 million) and was in compliance with covenant requirements. Current net debt as at the date of this report amounts to 15.0 million.

At 30 March 2019, the Group's committed facilities comprise a £30.0 million Revolving Credit Facility ("RCF"). This facility is expected to reduce to £18.0 million by August 2019.



As stated in Note 1, if the risk and sensitivities applied in the Directors' reasonable worst case forecast, or a more significant and prolonged decline in trading performance were to materialise, beyond that seen in FY19, the Group would breach its fixed charge covenant on its existing banking facilities and at certain points of the working capital cycle have insufficient facilities within the twelve-month period from the date of this report. If this scenario were to crystallise the Group would need to renegotiate with its relationship banks in order to secure additional funding and a reset of covenants.

In response to this we:

- assessed the design and implementation of the controls in place to address this key audit matter;
- obtained an understanding of the financing facilities, including the nature of facilities, repayment terms, covenants and attached conditions;
- assessed the facility and covenant headroom calculations on both a base case scenario, and the directors' downside scenario;
- challenged the appropriateness of management's forecasts by testing their mechanical accuracy, assessing historical forecasting accuracy, understanding management's consideration of downside sensitivity analysis and applying further sensitivities to understand the impact on facilities and covenant compliance;
- considered the consistency of management's forecasts with other areas of the audit, such as the impairment financial models and the forecasts underpinning the viability statement; and
- reviewed the wording of the going concern statement, including the material uncertainty, and assessed its consistency with management's forecasts.

As stated in Note 2, these events or conditions, along with the other matters as set forth in Note 2 to the financial statements, indicate that a material uncertainty exists that casts significant doubt on the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group or Company was unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • Going concern assumption (see material uncertainty related to going concern section); • Classification and presentation of adjusted items; • Accuracy and completeness of the inventory obsolescence provision; • Impairment of UK store assets and associated onerous lease provisions; and • Accounting for the disposal of the Early Learning Centre business. <p>Within this report, any new key audit matters are identified with  and any key audit matters which are the same as the prior year identified with .</p>
Materiality	The materiality that we used for the group financial statements was £1.6 million. This was determined based on 0.28% of current period revenue. The benchmark of 0.28% was determined as the average of materiality as a percentage of revenue for the three previous financial periods (2016 - 2018).
Scoping	Full audit procedures were performed over 99% of the Group's revenue and 95% of the Group's loss before tax.
Significant changes in our approach	<p>The accounting for the disposal of the Early Learning Centre business in the financial period has been identified as a key audit matter. A significant level of Management judgement was required to determine the loss on disposal and results from discontinued operations.</p> <p>This year we no longer consider the recognition of supplier funding arrangements or the recoverability of deferred tax assets to be key audit matters.</p> <p>The recognition criteria for accrued supplier funding related balances at year end is consistent with prior years, with the majority of amounts determined by an established methodology requiring limited management judgement.</p> <p>Following the sale of the Early Learning Centre business during the financial period, there are no material deferred tax assets remaining.</p> <p>We did not include India as a significant component as this component does not contribute to a significant proportion of the Group's results.</p>

Conclusions relating to principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 16-19 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 28 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' explanation on page 28 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to going concern and the prospects of the group required by Listing Rule 98.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Aside from the impact of the matters disclosed in the material uncertainty relating to going concern section, we confirm that we have nothing material to add or draw attention to in respect of these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Classification and presentation of adjusted items

Key audit matter description



The group presents alternative performance measures to provide supplemental information to enable users of the financial statements to gain an understanding of the underlying trading results of the Group. Current year items relating principally to impairment, loss on disposal of discontinued operations, property rationalisation, restructuring costs, and refinancing costs have been treated and disclosed as adjusting items, as detailed by Management in note 6. The total impact of these is to adjust the Group statutory consolidated loss from continuing operations for the period before tax of £675 million to an adjusted consolidated loss from continuing operations before tax for the period of £20.2 million.

The classification of items as adjusting is an area of judgement. They could also present the opportunity for Management bias in presentation, particularly in light of the pressures which the retail industry is currently facing and the fact that certain financial covenants are based on results before adjusted items. Given the high level of Management judgement involved, we deemed this a potential fraud risk for our audit.

Management has refined the Group's policy in respect of foreign currency. In previous financial periods, Management included the retranslation of foreign currency denominated cash and debtors in adjusted items. Management has restated the foreign currency adjustments prior year comparative to reflect consistent classification with the updated policy. As disclosed in Note 6, the impact of this restatement on the prior year comparative was to reduce results before adjusted items by £91 million.

Management has highlighted adjusted items as a critical accounting judgement in Note 3. Further information in respect of these items is included in Note 6. The Audit and Risk Committee report on page 43 also refers to adjusted items as one of the significant judgements considered by the Committee.

How the scope of our audit responded to the key audit matter



We evaluated the appropriateness of the adjustments made to the statutory loss for the period to derive the adjusted loss. We completed the following audit procedures:

- challenged the appropriateness and classification of these items by testing a sample of these and agreed them back to supporting documentation;
- assessed the completeness of any credits to adjusting items;
- assessed the consistency of classification of foreign currency adjustments to reflect Management's updated policy;
- considered the nature and scope of the charges and confirmed the costs described as adjusting relate to activities identified in the group accounting policy;
- reviewed the related disclosure in the Group financial statements and assessed consistency with the prior period and current market best practice; and
- benchmarked the items which are excluded from the adjusted result measure against both peers and the European Securities and Markets Authority (ESMA) guidance and Financial Reporting Council (FRC) FAQs.

Key observations



We consider the rationale for classifying items as adjusting is consistent year on year, other than the change in treatment of foreign currency adjustments, and is in accordance with the group's accounting policy.

As appropriately disclosed in Note 6, Management has appropriately amended its policy in respect of the classification of foreign currency adjustments to be in line with market practice.

Accuracy and completeness of the inventory obsolescence provision 

Key audit matter description



At the year end the gross inventory balance is £72.5 million (2018: £92.0 million), less £5.7 million (2018: £5.0 million) obsolescence allowance against the carrying value.

The challenging retail environment and store rationalisation programme means there continues to be significant Management judgement involved in determining the adequacy of the inventory obsolescence provision, in particular the provision percentages applied to reduced-to-clear and slow moving inventory lines. Given the high level of Management judgement involved, we deemed this a potential fraud risk for our audit.

The Audit and Risk Committee report on page 43 also refers to inventory provisioning as one of the significant issues and judgements. Further information is included in Note 3b and Note 17.

How the scope of our audit responded to the key audit matter



We considered the methodology used to calculate the inventory provision and assessed its consistency with prior periods. In addition, we assessed the design and implementation of controls in respect of the obsolescence provision review process, and considered the adequacy of the disclosures in the financial statements. We completed the following audit procedures:

- challenged the reasonableness of Management’s judgements and the assumptions used, specifically by assessing the provision percentages based on an evaluation of sales of reduced-to-clear inventory lines. For other lines, we assessed the forecast sales demand in comparison to prior periods;
- assessed the integrity of the underlying calculation by checking the accuracy of the ageing of a sample of reduced-to-clear inventory items;
- reviewed the level of inventory write offs in the year compared to the overall inventory provision; and
- tested the completeness of the provision by assessing the net realisable value for a sample of stock lines.

Key observations



We consider the Group’s provisioning policy to be appropriate and are satisfied that the overall provision is reasonable.

Impairment of UK store assets and associated onerous lease provisions 

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

Key audit matter description



The risk of store impairment continues to be a key audit matter given the Group has incurred current period losses. Management has performed a full impairment assessment for all stores to determine if the carrying value of these UK assets, after taking into consideration the carrying value of unamortised lease incentives, is supported. As a result of the further decline in UK store trading performance in the current period, a total impairment charge of £15.4 million has been recorded. Following the impairment recorded, the book value of UK store assets was £16.1 million (2018: £40.4 million).

There is a high degree of Management judgement required in estimating the cash flows used in the impairment and onerous lease models. The overall calculations are highly sensitive to changes in the assumptions, which can result in material differences in the determined impairment and onerous lease provisions.

When a review for impairment is conducted the recoverable amount is determined based on value in use calculations which rely on the directors' assumptions and estimates of future trading performance.

The key assumptions applied by the directors in the impairment reviews are:

- cashflow forecasts;
- future revenue growth;
- discount rates;
- gross margin; and
- store costs.

Associated onerous leases provisions total £43.7 million (2018: £37.5 million). The key assumptions in assessing the level of provision required are:

- the net present value of future store contributions;
- the fixed cost to lease expiry; and
- the estimated disposal costs.

Following Management's review over the completeness of onerous lease provisions an additional charge of £13.3 million has been recorded in the year.

The Audit and Risk Committee report on page 45 also refers to this as one of the significant issues and judgements. Further information is included in Notes 3a and 3b and Notes 15 and 24.

How the scope of our audit responded to the key audit matter



UK store impairment

We considered the appropriateness of the methodology applied by the directors in calculating the impairment charges. In addition, we assessed the design and implementation of controls in respect of the impairment review process, and considered the adequacy of the disclosures in the financial statements.

We assessed the impairment models and calculations by completing the following audit procedures:

- verified the mechanical accuracy of the impairment models;
- assessed the discount rate applied to the impairment reviews with support from our internal valuations specialist, and compared the rates to our internal benchmarked data;
- compared forecast growth rates to economic data; and
- evaluated the information included in the impairment models through our knowledge of the business gained through reviewing trading plans, strategic initiatives, meeting minutes and our retail industry knowledge.

Where stores were trading significantly below the original base case scenario, we considered the evidence available to support future improvements in performance by assessing trading plans and actions being taken on an individual store basis.

Onerous lease provisions

We considered the appropriateness of the methodology applied by the directors in calculating the onerous lease provision. In addition, we assessed the design and implementation of controls in respect of the onerous lease review process, and considered the adequacy of the disclosures in the financial statements.

We assessed the provision model and calculations by:

- checking the mechanical accuracy of the model including agreeing lease data to supporting evidence;
- assessing the risk-free rate applied to the model and comparing the rates to external market data;
- comparing forecast growth rates to economic data; and
- evaluating the information included in the provision model through our knowledge of the business gained through reviewing trading plans, strategic initiatives and meeting minutes.

Key observations



We assessed the level of impairment recorded in respect of the UK business, together with the additional onerous lease provisions recognised, and are satisfied that the judgements applied by Management and the level of charges recorded in the year and the related disclosures are appropriate.

Accounting for the disposal of the Early Learning Centre business

Key audit matter description



As set out in note 10 to the consolidated financial statements, on 12 March 2019 the Group entered into an agreement for the sale of the Early Learning Centre trade and specified assets.

The loss on disposal was £30.1 million, and Management has determined the loss from discontinued operations as £25.9 million (2018: profit of £16.9 million). Total consideration for the transaction was £11.5 million with additional amounts payable based on certain performance obligations. A significant level of judgement was required by Management to determine the loss on disposal, as well as the amounts that related to discontinued activities in the current and prior periods. The comparative figures in the income statement have been restated to separate costs associated with the Early Learning Centre trade from those that will remain as part of continuing activities.

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

How the scope of our audit responded to the key audit matter



In response to this significant transaction, we have extended the nature, timing and extent of our audit procedures to assess the loss on disposal and classification of items as discontinued. We completed the following audit procedures:

- reviewed the terms and conditions of the sale agreement;
- assessed Management's determined loss on disposal for consistency with the terms and conditions of the sale agreement;
- assessed the treatment of the disposal against the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- assessed the items determined by Management to be included in discontinued operations against the requirements;
- assessed the appropriateness of presentation and disclosure in relation to the disposal against the requirements of IFRS 5.

Key observations



As a result of our audit procedures, we consider Management's determined loss on disposal and items classified as discontinued to be appropriate.

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.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£16 million (2018: £17 million)	£15 million (2018: £16 million)
Basis for determining materiality	Given the losses in the period, materiality has been determined based on 0.28% of current period revenue. The benchmark of 0.28% was determined as the average of materiality as a percentage of revenue for the three previous financial periods (2016 - 2018).	Approximately 0.9% of net liabilities.
Rationale for the benchmark applied	Given the volatility in statutory and adjusted results incurred in the current and comparative financial periods, revenue represents the most appropriate benchmark to determine an appropriate materiality. Materiality represents approximately 0.3% of revenue (2018: 0.3%) and 0.9% of total assets (2018: 0.6%).	Net liabilities have been used as this is a non-trading holding company and we consider this to be the most appropriate basis.

We agreed with the audit and risk committee that we would report to the Committee all audit differences in excess of £80,000 (2018: £85,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report 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 audit scope on the UK trading entities, (including both the UK and International operating segments), the group's sourcing operations in Hong Kong and the Head Office company, which is consistent with prior year.

We performed full scope audits for each component other than Hong Kong, where an audit of specified balances was performed (these were cost of sales, inventory and trade payables).

Our audit work at the entities was executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged between 40% and 95% (2018: 40% and 95%) of group materiality. These locations represent the principal business units and account for 99% (2018: 100%) of the Group's revenue and 95% (2018: 97%) of the group's loss before tax for the 52 weeks ended 24 March 2018. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. This audit approach is consistent with the prior year.

The group audit team is directly involved in the audit of the UK trading entities. The component audit team in Hong Kong 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 of their work.

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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit and Risk Committee reporting* – the section describing the work of the audit and risk committee does not appropriately address matters communicated by us to the audit and risk committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, internal audit and the audit and risk committee, including obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team, including significant component audit teams, and involving relevant internal specialists, including tax, valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: accuracy and completeness of the inventory obsolescence provision, classification and presentation of adjusted items and incorrect revenue recognition due to transactions outside of the terms of contracts with franchise partners; and
- obtaining an understanding of the legal and regulatory frameworks that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, employment legislation, pensions legislation and tax legislation.

Audit response to risks identified

As a result of performing the above, we identified the accuracy and completeness of the inventory obsolescence provision as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the audit and risk committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- in addressing the risk of incorrect revenue recognition due to transactions outside of the terms of contracts with franchise partners, we have circulated letters to a sample of franchise partners requesting them to confirm they are operating in line with the latest contract and have reviewed the latest contract for consistency with the Group's revenue recognition policy; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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 in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the audit and risk committee, we were appointed by the shareholders at the Annual General Meeting on 19 July 2002 to audit the financial statements for the period ending 29 March 2003 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 17 years, covering the years ending 29 March 2003 to 30 March 2019.

Consistency of the audit report with the additional report to the audit and risk committee

Our audit opinion is consistent with the additional report to the audit and risk committee we are required to provide in accordance with ISAs (UK).

Use of our report

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.

Sukhbinder Kooner (Senior statutory auditor)

for and on behalf of Deloitte LLP
Senior Statutory Auditor

London, UK
24 May 2019

Consolidated income statement

For the 53 weeks ended 30 March 2019

	Note	53 weeks ended 30 March 2019			52 weeks ended 24 March 2018 Restated*		
		Before adjusted items £ million	Adjusted items ¹ £ million	Total £ million	Before adjusted items £ million	Adjusted items ¹ £ million	Total £ million
Continuing operations							
Revenue	4, 5	513.8	–	513.8	580.6	–	580.6
Cost of sales		(494.4)	(1.1)	(495.5)	(569.3)	0.1	(569.2)
Gross profit		19.4	(1.1)	18.3	11.3	0.1	11.4
Administrative expenses	6	(32.5)	(44.4)	(76.9)	(36.8)	(64.9)	(101.7)
Loss from operations	7	(13.1)	(45.5)	(58.6)	(25.5)	(64.8)	(90.3)
Net finance costs	8	(5.3)	(2.7)	(8.0)	(3.5)	(0.2)	(3.7)
Loss before taxation		(18.4)	(48.2)	(66.6)	(29.0)	(65.0)	(94.0)
Loss before taxation and foreign currency revaluations		(20.4)	(47.3)	(67.7)	(22.6)	(67.1)	(89.7)
Foreign currency adjustments	6	2.0	(0.9)	1.1	(6.4)	2.1	(4.3)
Loss before taxation		(18.4)	(48.2)	(66.6)	(29.0)	(65.0)	(94.0)
Taxation	9	(1.8)	0.9	(0.9)	1.3	(0.3)	1.0
Loss for the period from continuing operations		(20.2)	(47.3)	(67.5)	(27.7)	(65.3)	(93.0)
Discontinued operations							
Profit/(loss) for the year from discontinued operations	10	4.2	(30.1)	(25.9)	17.9	(1.0)	16.9
Loss for the period attributable to equity holders of the parent		(16.0)	(77.4)	(93.4)	(9.8)	(66.3)	(76.1)
Loss per share from continuing and discontinued operations							
Basic	12	(5.6)p		(33.1)p	(5.8)p		(44.8)p
Diluted	12	(5.6)p		(33.1)p	(5.8)p		(44.8)p
Loss per share from continuing operations							
Basic	12	(7.1)p		(23.8)p	(16.3)p		(54.8)p
Diluted	12	(7.1)p		(23.8)p	(16.3)p		(54.8)p

1 Includes adjusted costs (property costs, restructuring costs and impairment charges), the fair value movement on embedded derivatives, and the impact of non-cash foreign currency adjustments as set out in note 6 to the consolidated financial statements. Adjusted items are considered to be one-off or significant in nature and /or value. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across the periods because it is consistent with how the business performance is reviewed by the Board and the Operating Board.

* Adjusted items in the prior year have been reclassified to be on a consistent basis for the treatment of foreign exchange differences on the revaluation of working capital and adjusted interest costs (see note 6), and for the discontinued operations of the Early Learning Centre (see note 10).

Consolidated statement of comprehensive income

For the 53 weeks ended 30 March 2019

	Note	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 £ million
Loss for the period		(93.4)	(76.1)
Items that will not be reclassified subsequently to the income statement:			
Remeasurement of net defined benefit liability:			
actuarial gain on defined benefit pension schemes	31	1.6	36.0
Income tax relating to items not reclassified	16	0.2	(21.4)
		1.8	14.6
Items that may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations	27	0.1	(0.6)
Cash flow hedges: gains/(losses) arising in the period	27	12.9	(18.8)
Deferred tax relating to items reclassified	16	(0.6)	1.4
		12.4	(18.0)
Other comprehensive income/(expense) for the period		14.2	(3.4)
Total comprehensive expense for the period wholly attributable to equity holders of the parent		(79.2)	(79.5)

Consolidated balance sheet

As at 30 March 2019

	Note	30 March 2019 £ million	24 March 2018 £ million
Non-current assets			
Goodwill	14	–	26.8
Intangible assets	14	16.3	39.6
Property, plant and equipment	15	27.7	55.0
Investments in joint ventures	13	–	–
Long-term receivables	18	–	0.1
Deferred tax asset	16	–	3.6
		44.0	125.1
Current assets			
Inventories	17	66.8	87.0
Trade and other receivables	18	45.9	64.5
Derivative financial instruments	22	1.5	0.1
Cash and cash equivalents	19	16.3	–
Assets classified as held for sale	20	0.5	–
		131.0	151.6
Total assets		175.0	276.7
Current liabilities			
Trade and other payables	23	(102.6)	(106.3)
Borrowings	21	(11.5)	(1.6)
Current tax liabilities		(0.7)	(0.3)
Derivative financial instruments	22	–	(9.4)
Provisions	24	(21.8)	(16.8)
		(136.6)	(134.4)
Non-current liabilities			
Trade and other payables	23	(14.8)	(20.1)
Borrowings	21	(11.7)	(42.5)
Derivative financial instruments	22	(4.8)	(0.6)
Retirement benefit obligations	31	(24.9)	(37.7)
Provisions	24	(31.6)	(36.8)
		(87.8)	(137.7)
Total liabilities		(224.4)	(272.1)
Net (liabilities)/assets		(49.4)	4.6
Equity attributable to equity holders of the parent			
Share capital	25	87.1	85.4
Share premium account	26	88.9	61.0
Own shares	25	(1.1)	(1.1)
Translation reserve	27	(1.8)	(1.9)
Hedging reserve	27	1.3	(9.4)
Retained loss		(223.8)	(129.4)
Total equity		(49.4)	4.6

Approved by the board and authorised for issue on 24 May 2019 and signed on its behalf by:



Glyn Hughes
Chief Financial Officer

Company Registration Number: 1950509

Consolidated statement of changes in equity

For the 53 weeks ended 30 March 2019

	Note	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Hedging reserve £ million	Retained earnings £ million	Total equity £ million
Balance at 25 March 2018 as previously reported		85.4	61.0	(1.1)	(1.9)	(9.4)	(129.4)	4.6
Cumulative adjustment to opening balances from the application of IFRS 15	2	-	-	-	-	-	(0.8)	(0.8)
Cumulative adjustment to opening balances from the application of IFRS 9	2	-	-	-	-	-	(2.0)	(2.0)
Balance at 25 March 2018 as restated*		85.4	61.0	(1.1)	(1.9)	(9.4)	(132.2)	1.8
Items that will not be reclassified subsequently to the income statement		-	-	-	-	-	1.8	1.8
Items that will be reclassified subsequently to the income statement	27	-	-	-	0.1	12.3	-	12.4
Other comprehensive income		-	-	-	0.1	12.3	1.8	14.2
Loss for the period		-	-	-	-	-	(93.4)	(93.4)
Total comprehensive income/(expense)		-	-	-	0.1	12.3	(91.6)	(79.2)
Issue of new shares	25,26	1.7	30.8	-	-	-	-	32.5
Expenses of issue of equity shares	26	-	(2.9)	-	-	-	-	(2.9)
Transfer to equity from inventory during the period	27	-	-	-	-	(1.6)	-	(1.6)
Charge to equity for equity-settled share-based payments	30	-	-	-	-	-	-	-
Balance at 30 March 2019		87.1	88.9	(1.1)	(1.8)	1.3	(223.8)	(49.4)

* Restated for the adoption of IFRS 15 and IFRS 9 as explained in note 2

For the 52 weeks ended 24 March 2018

	Note	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Hedging reserve £ million	Retained earnings £ million	Total equity £ million
Balance at 26 March 2017		85.4	61.0	(1.5)	(1.3)	5.2	(67.4)	81.4
Items that will not be reclassified subsequently to the income statement		-	-	-	-	-	14.6	14.6
Items that will be reclassified subsequently to the income statement		-	-	-	(0.6)	(17.4)	-	(18.0)
Other comprehensive (expense)/income		-	-	-	(0.6)	(17.4)	14.6	(3.4)
Loss for the period		-	-	-	-	-	(76.1)	(76.1)
Total comprehensive expense		-	-	-	(0.6)	(17.4)	(61.5)	(79.5)
Transfer to equity from inventories during the period	27	-	-	-	-	2.8	-	2.8
Charge to equity for equity-settled share-based payments	30	-	-	-	-	-	(0.1)	(0.1)
Shares transferred to employees		-	-	0.4	-	-	(0.4)	-
Balance at 24 March 2018		85.4	61.0	(1.1)	(1.9)	(9.4)	(129.4)	4.6

Consolidated cash flow statement

For the 53 weeks ended 30 March 2019

	Note	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 Restated* £ million
Net cash flow from operating activities – continuing operations	28	1.0	(31.3)
Net cash flow from operating activities – discontinued operations		0.4	32.6
Cash flows from investing activities			
Interest received		0.1	–
Purchase of property, plant and equipment		(5.9)	(15.6)
Purchase of intangibles – software		(6.4)	(8.5)
Proceeds from sale of property, plant and equipment		14.5	–
Cash used in investing activities – continuing operations		2.3	(24.1)
Cash used in investing activities – discontinued operations		–	–
Cash flows from financing activities			
Issue of share capital		32.5	–
Expenses of share issue		(2.9)	–
Shareholder loans		8.0	–
Interest paid		(3.6)	(1.4)
Repayment of facility		(61.5)	(61.5)
Drawdown of facility		36.0	89.0
Facility fee paid		(0.7)	(0.6)
Net cash from financing activities – continuing operations		7.8	25.5
Net cash from financing activities – discontinued operations		5.5	(0.5)
Net increase in cash and cash equivalents		17.0	2.2
Overdraft at beginning of period		(1.6)	(0.9)
Effect of foreign exchange rate changes		0.9	(2.9)
Cash and cash equivalents/(overdraft) at end of period	28	16.3	(1.6)

* The prior year has been restated for the reclassification of ELC discontinued operations.

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 147. The nature of the Group's operations and its principal activities are set out in note 5 and in the business review on pages 6 to 11.

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 53 weeks ended 30 March 2019. The comparative period covered the 52 weeks ended 24 March 2018.

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') interpretations, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. These financial statements therefore comply with Article 4 of the EU IAS Regulation.

Adoption of new and revised Standards

The same accounting policies, presentation and methods of computation are followed in this yearly report as applied in the Group's last audited financial statements for the 52 weeks ended 24 March 2018, with the exception of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' for which the 53 weeks ended 30 March 2019 is the Group's first period of application.

Impact of application of IFRS 9 – Financial Instruments

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities;
- 2) Impairment of financial assets; and
- 3) Hedge accounting.

IFRS 9 has been applied retrospectively as at 25 March 2018 by adjusting the opening balance sheet at that date, and in accordance with the transitional provisions set out in this standard.

Classification and measurement of financial assets

The directors of the Company reviewed and assessed the Group's existing financial assets as at 25 March 2018 based on the facts and circumstances that existed at that date and assessed the initial application of IFRS 9 on the Group's financial assets as regards their classification and measurement.

All financial assets held by the Group are considered to be debt instruments held within a business model whose objective is to collect the contractual cash flows, where these contractual cash flows are solely payments of principal and interest on the principal, and are therefore subsequently measured at amortised cost.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss (ECL) model, which replaces IAS 39's incurred credit loss model. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise an allowance for expected credit losses on trade receivables and contract assets.

Trade receivable balances are held net of a provision calculated using a risk matrix, taking micro and macro-economic factors into consideration. The receivables provision was calculated as at 25 March 2018 as it would have been if IFRS 9 had applied, and an adjustment was recognised through retained earnings to reflect that under IFRS 9, the provision would have been £2.0 million higher.

The Group has continued to apply IAS 39 for the purposes of hedge accounting, and therefore there is no impact of IFRS 9 on hedge accounting for the current financial year.

Impact of application of IFRS 15 – Revenue from Contracts with Customers

IFRS 15 has been applied from 25 March 2018 with the application of the standard in the current accounting period and a cumulative effect adjustment at the date of initial application recognised through retained earnings of £0.8 million.

Under the Group's standard contract terms for the sale of goods, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has a right to recover the product from customers when they exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales. A right of return asset and a refund liability are therefore held gross on the balance sheet.

Gift card breakage, previously recognised on expiry, is now recognised in proportion to its usage pattern to the extent it is recoverable. IFRS 15 also required the reclassification of certain items previously reported in cost of sales to revenue.

The total impact of these adjustments was to increase revenue and cost of sales in the current financial year by £0.6 million and £0.3 million respectively.

The impact of the application of IFRS 15 on basic and diluted earnings per share is disclosed in note 12.

New standards not affecting the reported results nor the financial position

In the current year, in addition to IFRS 9 and IFRS 15, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Notes to the consolidated financial statements

continued

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 and endorsed by the EU, but not yet effective:

- IFRS 16, 'Leases';
- amendments to IFRS 9 'Prepayment features with negative compensation'; and
- amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses'

The directors anticipate that, with the exception of IFRS 16 'Leases', adoption of these standards and interpretations in future periods will have no material impact on the Group's financial statements.

IFRS 16 'Leases'

IFRS 16 'Leases' is applicable for periods beginning on or after 1 January 2019 and will therefore be applied by the Group in the 2020 financial year. IFRS 16 will have a material impact on the reported assets, liabilities and income statement. The Group will apply IFRS 16 under the modified retrospective approach, with the cumulative effect of initially applying the standard being recognised at the date of initial application.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Criteria for control include:

- the right to obtain substantially all of the economic benefits from the use of an identified asset; and
- the right to direct the use of that asset.

Distinctions between operating leases and finance leases are removed for lessee accounting and replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost less impairment, and lease incentives, and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability.

Lease incentives (including rent-free periods and landlord contributions) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and rent payments, as well as the impact of lease modifications.

There is no cash impact of adoption of this standard but the classification of cash flows will be affected because operating lease payments under IAS17 are presented as operating cash flows: whereas under the IFRS 16 model, the lease payments will be split into interest payments and depreciation, which will be presented as financing and operating cash flows respectively.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

As at 30 March 2019, the Group has non-cancellable operating lease commitments of £150.1 million. The Group will recognise a lease liability of between a range of £113.0 million and £121.0 million in respect of these.

The Group has elected to rely on its assessment of whether or not a lease is onerous under IAS 37: Provisions, Contingent Assets, and Contingent Liabilities immediately before the date of initial application, and included an adjustment to the right-of-use asset in accordance with this.

The Group will also recognise a right-of-use asset between a range of £58.0 million and £67.0 million.

The provision for onerous lease contracts which was required under IAS 17 of £43.7 million will be derecognised.

Lease liability incentives of £18.0 million currently recognised in respect of the operating leases will be derecognised and the amount factored into the measurement of the right-to-use assets and lease liabilities.

There are nine leases which fall due for renewal in 2020 and are therefore excluded from these numbers by virtue of the practical expedient whereby leases where the term ends within 12 months of the date of initial application have been accounted for as short-term leases. The transition adjustments to the balance sheet would therefore be impacted by the terms on which these leases are renewed, but the lease length and rent are currently unknown.

Operating lease commitments within one year of £26.4m include £0.7m in relation to stores closed in 2019, and £21m in relation to stores due to close in 2020. The practical expedient has been employed such that leases where the term ends within 12 months of the date of initial application have been accounted for as short-term leases.

The Group's weighted average incremental borrowing rate is within the range of 7.0-7.5%. As a practical expedient, a lessee may apply a single discount rate to a portfolio of leases with reasonably similar characteristics; leases have been grouped according to location, type, and lease length.

Discontinued operations

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the net results of discontinued operations are presented separately in the Group income statement (and the comparatives restated). Assets held for sale are presented separately in the Group balance sheet.

Prior period reclassification of foreign currency revaluations

In previous periods the Group has included all foreign currency transactions relating to the retranslation of foreign currency denominated cash and debtor balances as part of adjusted items. These gains/losses are now included before adjusted items in line with industry best practice and accordingly the prior period treatment of these items have been reclassified on a comparable basis.

Going concern

The Group's business activities and the factors likely to affect its future development are set out in the principal risks and uncertainties section of these financial statements. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the financial review.

As at 30 March 2019 the Group had a net debt of £6.9 million (2018: £44.1 million) and was in compliance with covenant requirements. Current net debt as at 17 May 2019 amounts to £15.0 million, including a £13 million drawdown on the Revolving Credit Facility ("RCF"). The cash outflow since year end reflects the seasonal working capital cycle and timing of orders placed with our trade suppliers for the AW19 season.

At the start of the financial year, the Group had successfully completed a refinancing with the support of its two Banks, HSBC Plc and Barclays Bank Plc. At this stage the Group had access to a RCF of £67.5 million, which included an uncommitted overdraft facility of £5.0 million, expiring in December 2020.

In the financial year the Group realised cash from a number of investments, each of which was used to reduce the RCF facility. In addition, there was a contractual £17.5 million stepdown in facility limit, including the removal of the overdraft facility of £5.0m, in November 2018. At the same time, the Group agreed with the banks to soften its covenant targets to December 2019.

On 14 December 2018, the Group completed the sale and leaseback of its UK head office, with net proceeds of £14.5 million.

On 12 March 2019, the Group agreed to sell Early Learning Centre to The Entertainer for £11.5 million. The first instalment of £6.0 million was received on 22 March 2019, with a further instalment of £5.5 million received on 15 May 2019. Under the terms of the signed Curated Wholesale Agreement which governs the terms of future trading, a further £2.0 million is expected to be received over the next two years through an earn-out commission, taking the total consideration for the deal to £13.5 million. In addition, the proceeds from selling excess Early Learning Centre stock will be applied against the RCF, with the limit stepping-down by £2.0 million increments in June, July and August.

On 25 April 2019, the Group closed the stores in Ayr and Paisley, leading to proceeds of £0.5 million.

As a result of the above, by the end of August 2019, the RCF will be £18.0 million.

The Group also has access to an uncommitted debtor backed facility of up to £10.0 million (but not exceeding the total debt outstanding) from one of the Company's trade partners, expiring in October 2019.

The consolidated financial information in our full year accounts has been prepared on a going concern basis. When considering the going concern assumption, the Directors of the Group have reviewed a number of factors, including the Group's trading results, its continued access to sufficient borrowing facilities and its ability to continue to operate within its financial covenants against the Group's latest forecasts and projections, comprising of:

- A Base Case forecast; and

- A Reasonable Worst Case forecast ("RWC"), which applies sensitivities against the Base Case for reasonably possible adverse variations in performance, reflecting the ongoing volatility in UK and International trading performance.

The RWC scenario assumes the following key sensitivities:

- Significant further decline in UK sales, beyond that already seen in 2019, following a marked downturn in consumer confidence linked to uncertainty caused by the delay to BREXIT, the assumed rate of decline for 2020 is worse than that experienced in any year in the UK over the last five years
- Following the decline in underlying UK margin rate in 2019, margin is assumed to be broadly flat in 2020 (after normalising for the impact of the store closure programme), reflecting the continued margin investment necessary to stimulate demand.
- International to experience a continuation of external macro-economic and currency pressures across key markets culminating in moderate decline in like-for-like retail sales.

However, if the risk and sensitivities applied in our RWC forecast, or a more significant and prolonged decline in trading performance were to materialise, beyond that seen in 2019, and the Group were not able to execute further cost or cash management programmes the Group would breach its fixed charge covenant on its existing banking facilities and at certain points of the working capital cycle have insufficient headroom against existing facility limits. If this scenario were to crystallise the Group would need to renegotiate with its relationship banks in order to secure additional funding and a reset of covenants. Therefore, we have concluded that, under the RWC, there is a material uncertainty that casts significant doubt that the Group will be able to operate as a going concern.

Notwithstanding this material uncertainty, the Board's confidence in the Group's Base Case forecast, which indicates the Group will operate within the terms of its committed borrowing facilities and covenants for the foreseeable future, and the Group's proven cash management capability supports our preparation of the financial statements on a going concern basis.

Further details on going concern are shown in the Financial Review on pages 27 to 28.

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 30 March 2019. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has the right, to variable returns from its involvement with the investee; and
- has the ability to use its powers to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The accounting policies of subsidiaries are in line with those used by the Group.

Notes to the consolidated financial statements

continued

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

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 the income statement 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 applicable disposal group, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Non-current assets transferred to held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Revenue recognition

Revenue is measured at the fair value of the consideration the Group expects to be entitled to in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue is recognised net of discounts, VAT and other sales related taxes, at the point when the Group transfers control of a product to a customer.

Sales of goods are recognised when goods are delivered and title has passed. For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail store, at which time payment of the transaction price is due immediately. Revenue from online sales is recognised when control passes to the customer, on receipt of the goods.

Under the Group's standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods as an asset and a corresponding adjustment to cost of sales. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

Sales to international franchise partners are recognised on the transfer of control, which is on dispatch.

Royalty revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement (provided that control of goods has been transferred and consideration is unconditional). Royalty arrangements that are based on sales and other measures are recognised by reference to the underlying arrangement.

Gift card breakage, previously recognised on expiry, is now recognised in proportion to its usage pattern to the extent it is recoverable.

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.

Supplier funding income

The Company receives income from its suppliers, primarily in the form of early settlement discounts and volume based rebates, and recognises these as a reduction in cost of sales in the year to which they relate. Any supplier funding income received in respect of unsold stock at the period end is accounted for as deferred income on the balance sheet. The Group accrues for supplier income due from annual agreements for volume rebates. The Group receives promotional contributions which are recognised when the promotional activity is complete. Promotional income directly attributable to marketing costs is recognised as a deduction to administrative expenses.

Included in the balance sheet are amounts receivable of £15 million in respect of supplier funding income, comprising £0.8 million of settlement discounts invoiced but not yet settled and £0.7 million of promotional and retrospective rebate contributions earned but not yet invoiced, netted against £0.9 million of deferred rebate income on stock not yet sold.

Adjusted earnings

The Group considers that adjusted profit before tax provides additional useful information for shareholders. The term adjusted 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 12.

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 adjusted business performance which provides more useful information on underlying trends.

The adjustments made to reported results are as follows:

Adjusted items

Due to their significance or one-off nature, and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group, certain items have been classified as adjusted.

The gains and losses on these items, such as provision for onerous leases, impairment charges, and restructuring costs can have a material impact on the trend in the profit from operations and the result for the period. Adjusting for these items is consistent with how business performance is measured internally by the Board and Operating Board.

On this basis the following items are analysed as adjusted items on the face of the income statement:

- loss on disposal of the ELC business;
- store impairment and onerous lease charges;
- profit arising on the sale of the Head office freehold;
- costs associated with restructuring, redundancies and refinancing;
- finance costs, including the fair value movement on embedded derivatives in the shareholder loans;
- non-cash foreign currency adjustments relating to the revaluation of outstanding forward contracts which have not yet been matched to the purchase of stock and the retranslation of foreign currency denominated creditor balances; and
- amortisation of intangible assets.

Further details of the adjusted items are provided in note 6.

Foreign currency transactions

Foreign currency adjustments include:

Within the underlying income statement:

- the retranslation of foreign currency denominated cash and debtor balances (predominantly USD) to closing spot rate.
- within adjusted items:
- the retranslation of foreign currency denominated creditor balances and stock (predominantly USD) to closing spot rate.
- the revaluation of outstanding forward contracts which have not yet been matched to the purchase of stock.

The volatility in the spot rate at year end and the associated gains and losses on unsettled transactions do not present the users of the accounts with a true picture of underlying performance during

the reporting period. Including these items within adjusted profits is in line with how business performance is measured internally by the Board and Operating Board.

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.

Unwinding of discount on adjusted provisions

Where property provisions are charged to adjusted items, the associated unwinding of the discount on these provisions is classified as an adjusted item.

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 leases held by the Group are classified as operating leases.

The Group as lessor

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

The Group as lessee

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

Benefits received and receivable as an incentive to enter into an operating lease are 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 presentational 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

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continued

Group's accounting policies in respect of such derivative financial instruments).

In these 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.

Hedge accounting

The Group designates its forward currency contracts 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 other comprehensive income 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, categorised in the income statement for consistency with the recognised hedged item. Movements in the hedging reserve in equity are detailed in note 27.

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.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation less 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.

The Group has an unconditional right to a refund of surplus under the rules.

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.

In the current financial period, the Group has considered that more accurate information would be provided to investors by updating

mortality rates annually. Accordingly, mortality rates are based on CMI 2018 data; previously mortality rates were updated only at each Triennial review.

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 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.

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.

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 based on the tax rates that have been enacted or substantively enacted at the reporting date. 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 the 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	– 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 the income statement.

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.

The 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 in the income statement 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 initially measured at fair value and subsequently measured at amortised cost less provision or impairment. The Group recognises a loss allowance for expected credit losses on trade receivables, which is updated at each financial reporting date to reflect changes in credit risk since initial recognition.

Expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Cash and cash equivalents

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

Financial liabilities and equity

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

Bank borrowings

Interest-bearing bank loans and overdrafts are 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.

Finance costs directly attributable to the acquisition or construction of qualifying assets are capitalised. Qualifying assets are those that necessarily take a substantial period of time to prepare for their intended use.

Trade payables

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

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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. 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.

Forward contracts in place are considered an effective cash flow 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.

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.

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.

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, and expensed on a straight-line basis over the vesting period. The fair value is updated at each balance sheet date for the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the valuation technique considered to be most appropriate for each class of award, including Black-Scholes calculations and Monte Carlo simulations. The expected life used in the formula is adjusted, based on

management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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

Alternative performance measures (APMs)

In the reporting of financial information, the Directors have adopted various APMs of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS).

These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry.

APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

Purpose

The Directors believe that these APMs assist in providing additional useful information on the performance and position of the Group because they are consistent with how business performance is reported to the Board and Operating Board.

APMs are also used to enhance the comparability of information between reporting periods and geographical units (such as like-for-like sales), by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the Group's performance.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes and have remained consistent with prior year.

The key APMs that the Group has focused on during the period are as follows:

Group worldwide sales:

Group worldwide sales are total International sales plus total UK sales. Total International sales are International retail sales plus International Wholesale sales. Total Group revenue is a statutory number and is made up of total UK sales and receipts from International franchise partners, which includes royalty payments and the cost of goods dispatched to international franchise partners. A reconciliation is included within the Financial Review on pages 20 to 29.

Like-for-like sales:

This is a widely used indicator of a retailer's current trading performance. This is defined as sales from stores that have been trading continuously from the same selling space for at least a year and include website sales and sales taken on iPads in store. International retail sales are the estimated retail sales of overseas

franchise and joint venture partners to their customers. International like-for-like sales are the estimated franchisee retail sales from stores that have been trading continuously from the same selling space for at least a year. The Group reports some financial measures on both a reported and constant currency basis. Sales in constant currency exclude the impact of movements in foreign exchange translation. The constant currency basis retranslates the previous year revenues at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the year on year reported results. Further details are disclosed within the Financial Review on pages 20 to 29.

Profit/(loss) before adjusted items:

The Group's policy is to exclude items that are considered to be significant in both nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group. On this basis, the following items were included within adjusted items for the 53-week period ended 30 March 2019:

- loss on disposal of the ELC business;
- store impairment and onerous lease charges;
- profit arising on the sale of the Head office freehold;
- costs associated with restructuring, redundancies and refinancing;
- finance costs, including the fair value movement on embedded derivatives in the shareholder loans;
- non-cash foreign currency adjustments relating to the revaluation of outstanding forward contracts which have not yet been matched to the purchase of stock; and
- amortisation of intangible assets.

A reconciliation of adjusted earnings is shown in note 6.

Profit/(loss) before taxation and foreign currency revaluations:

The Group has introduced a new measure this year which is profit/(loss) before taxation and foreign currency revaluations on the basis that foreign currency differences on the revaluation of foreign currency denominated cash and debtor balances, albeit recurring, are significant in size, volatile and distort the underlying performance of the Group.

Adjusted free cash flow:

This is the adjusted measure of cash flow for the Group. This is based on performance excluding the impact of adjusted items. The presentation of adjusted free cash flow differs from the statutory cash flow statement, which is based on statutory performance for the Group. The reconciliation from adjusted free cash flow to statutory cash flow is shown in the Financial Review on page 26.

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 judgements that have an effect on the application of policies and reported amounts.

3a Critical accounting judgements

Critical judgements represent key decisions made by management in the application of the Group's accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a critical accounting estimate. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

Adjusted items

The directors believe that the adjusted profit and earnings per share measures provide additional useful information for shareholders on the performance of the business.

These measures are consistent with how business performance is measured internally by the Board and Operating Board.

The adjusted profit before tax measure is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies. The classification of adjusted items requires significant management judgement by considering the nature and intentions of a transaction.

Note 6 provides further details on current period adjusted items and their adherence to Group policy.

Deferred taxation

The Directors have to consider the recoverability of the deferred tax assets based on forecast profits. There are no deferred tax assets recognised by the Group at 30 March 2019.

Impairment of assets

The Group reviews the carrying value of assets 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 asset; a decline in the market value for the asset; and an adverse change in the business or market in which the asset is involved. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are 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, and the impact of Brexit, 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.

Cash flow projections are based on the Group's four year internal forecasts, the results of which are reviewed by the Board. Estimates of selling prices and direct costs are based on past experience, expectations of future changes in the market and historic trends. The forecasts are extrapolated beyond four years based on long-term average growth rate of 0%. Bringing the terminal growth rate to 1%/(1)% would result in a £3.5 million increase in/ reduction of cashflows.

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3b Key sources of estimation uncertainty

In applying the Group's accounting policies described above, the directors have identified that the following areas are the key estimates that have a significant risk of resulting in a material adjustment to the carrying value of assets and liabilities in the next financial year.

Expected credit losses (ECL) on trade and other receivables

The provision for the allowance for expected credit losses (refer to note 18) is calculated using a combination of internally and externally sourced information, including future default levels (derived from historical defaults overlaid by macro-economic assumptions), future cash collection levels (derived from past trends), credit ratings and other credit data.

Once a customer has defaulted on a receivable amount, there is limited sensitivity associated with credit risk however, prior to default, the greatest sensitivity relates to the ability of customers to afford their payments. Deterioration in the ability of customers to afford their payments will cause an increase in the probability of default.

If the ECL rates on trade receivables over 60 days past due had been 5% higher at 30 March 2019, the loss allowance on trade receivables would have been £0.5 million higher.

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).

A 20% change in the volume of inventories going to clearance would impact the net realisable value by £0.6 million. A 5% change in the level of markdown applied to the selling price would impact the value of inventories by £0.6 million.

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.

As a result 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 expectancy 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; selection of an appropriate rate is judgemental. These generally include AA-rated securities. The discount rate is based on the

yield of a portfolio of bonds whose weighted residual maturities approximately correspond to the duration necessary to cover the entire benefit obligation.

Pension and other post-retirement benefits are inherently long-term and future experience may differ from the actuarial assumptions used to determine the net charge for 'pension and other post-retirement charges'. Note 31 to the consolidated financial statements describes the principal discount rate, 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 30 March 2019, the Group's pension liability was £24.9 million (2018: £37.7 million). Further details of the accounting policy on retirement benefits are provided in note 2.

Sensitivities to changes in assumptions in respect of discount rates/inflation and life expectancy are included in note 31.

Onerous leases

Provision has been made in respect of leasehold properties for vacant, partly let and loss-making trading stores 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 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.

Cash flow projections are based on the Group's four year internal forecasts, the results of which are reviewed by the Board. Cash flows have been discounted at the appropriate risk-free rate.

The Group has performed sensitivity analysis on the onerous lease provisions using reasonably possible scenarios based on recent market movements and historic trends. Neither a half a percentage point increase nor decrease in the risk-free rate would result in a material change to the onerous lease provisions.

Supplier funding

Supplier funding is recognised as a reduction in cost of sales in the year to which it relates. Volume and other rebates require judgement to be made as to the quantum and timing of income recognised, which are dependent upon achieving pre-agreed purchasing targets over an extended period of time.

Returns provision

In estimating the value of the returns provision under IFRS 15 and the value of the corresponding asset representing the value of returned stock, we have assumed a continuation of the current rate of returns, which is 6% of revenue.

A 1% increase/reduction in the rate of returns would increase/reduce the liability by £0.3 million and increase/reduce the asset by £0.2 million

4. Revenue

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 Restated* £ million
Continuing operations:		
Sale of goods	513.8	580.6

* Restated for the reclassification of ELC discontinued operations (see note 10).

As stated in note 2, IFRS 15 has been applied in the current accounting period and a cumulative effect adjustment at the date of initial application recognised through retained earnings. Under the Group's standard contract terms for the sale of goods, customers have a right of return within 30 days. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

Gift card breakage, previously recognised on expiry, is now recognised in proportion to its usage pattern to the extent it is recoverable. IFRS 15 has also required the reclassification of certain items previously reported in cost of sales to revenue.

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.

The UK segment 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.

	53 weeks ended 30 March 2019			
	International £ million	UK £ million	Unallocated corporate expenses £ million	Total £ million
Revenue				
External sales	177.2	336.6	–	513.8
Result				
Segment result (before adjusted items*)	29.5	(35.5)	(7.9)	(13.9)
Share-based payments credit	–	–	0.8	0.8
Non-cash foreign currency adjustments (adjusted item)	–	–	(0.9)	(0.9)
Amortisation of intangible assets (adjusted item)	–	–	–	–
Adjusted items (note 6)	(7.9)	(34.1)	(2.6)	(44.6)
Profit/(loss) from operations	21.6	(69.6)	(10.6)	(58.6)
Net finance costs				(8.0)
Loss before taxation				(66.6)
Taxation				(0.9)
Loss after taxation from continuing operations				(67.5)
Loss for the period from discontinued operations				(25.9)
Loss for the period				(93.4)

* see glossary on page 145 for definition.

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	52 weeks ended 24 March 2018**			
	International £ million	UK £ million	Unallocated corporate expenses £ million	Consolidated Restated £ million
Revenue				
External sales	1991	3815	–	580.6
Result				
Segment result (before adjusted items*)	25.4	(43.4)	(7.6)	(25.6)
Share-based payments credit	–	–	0.1	0.1
Non-cash foreign currency adjustments (adjusted item)	–	–	2.1	2.1
Amortisation of intangible assets (adjusted item)	–	–	(0.4)	(0.4)
Adjusted items (note 6)	(5.2)	(59.3)	(2.0)	(66.5)
Profit/(loss) from operations	20.2	(102.7)	(7.8)	(90.3)
Net finance costs				(3.7)
Loss before taxation				(94.0)
Taxation				1.0
Loss after taxation from continuing operations				(93.0)
Profit for the period from discontinued operations				16.9
Loss for the period				(76.1)

* See glossary on page 145 for definitions.

Revenues are attributed to countries on the basis of the customer's location. The largest International customer represents approximately 12.9% (2018: 19.6%) of group sales.

** Adjusted items in the prior year have been reclassified to be on a consistent basis for the treatment of foreign exchange differences on the revaluation of working capital and adjusted interest costs (see note 6), and for the discontinued operations of the Early Learning Centre (see note 10).

	53 weeks ended 30 March 2019			
	International £ million	UK £ million	Corporate £ million	Total £ million
Other information				
Capital additions	1.8	3.1	7.4	12.3
Depreciation and amortisation	2.2	3.6	14.5	20.3
Balance sheet				
Assets				
Consolidated total assets	38.6	110.3	26.1	175.0
Liabilities				
Consolidated total liabilities	0.7	170.2	53.5	224.4

In addition to the depreciation and amortisation reported above, impairment losses of £15.4 million (2018: £16.0 million) were recognised in respect of property, plant and equipment. The UK store impairment testing during the period identified a number of stores where the current and anticipated future performance does not support the carrying value of the stores and as a result a charge of £14.0 million has been incurred in respect of the impairment of the assets associated with these stores. In addition a charge of £14.5 million has been made for the impairment of software assets. These impairment losses were attributable to the UK segment and are detailed in note 6: Adjusted items.

	52 weeks ended 24 March 2018			
	International £ million	UK £ million	Corporate* £ million	Total £ million
Other information				
Capital additions	3.5	5.7	8.9	18.1
Depreciation and amortisation	5.3	8.6	7.8	21.7
Balance sheet				
Assets				
Consolidated total assets	93.0	136.4	47.3	276.7
Liabilities				
Consolidated total liabilities	4.0	176.0	92.1	272.1

* 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. Adjusted items

The total adjusted items attributable to continuing operations reported for the 53-week period ended 30 March 2019 is a net charge of £48.2 million (2018: £65.0 million). The loss attributable to the sale of ELC is shown within note 10 – Discontinued operations. The adjustments made to reported loss before tax to arrive at adjusted loss from continuing operations are:

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 Restated* £ million
Adjusted costs from continuing operations:		
Restructuring costs in cost of sales	(0.2)	(0.9)
Impairment costs in cost of sales	–	(1.1)
Property related costs included in administrative expenses	(31.8)	(55.6)
Non-property related restructuring costs and property impairment included in administrative expenses	(12.6)	(7.0)
Joint venture restructuring costs included in administrative expenses	–	(1.9)
Restructuring costs included in finance costs	(2.7)	(0.2)
Total adjusted costs:	(47.3)	(66.7)
Other adjusted items:		
Non-cash foreign currency adjustments under IFRS 9 and IAS 21 included in cost of sales	(0.9)	2.1
Amortisation of intangible assets included in cost of sales	–	(0.4)
Adjusted items before tax **	(48.2)	(65.0)

* Adjusted items in the prior year have been restated on a consistent basis for the treatment of foreign exchange differences on the revaluation of working capital loss of £91 million (£6.4 million on a continuing basis) and adjusted interest costs of £0.2 million and for the reclassification of ELC discontinued operations (see note 10).

** Tax on adjusted items was at 19% (2018: 19%).

Restructuring costs in cost of sales – £0.2 million (2018: £0.9 million)

Costs of £0.2 million have been incurred in relation to store redundancies. The 2018 charge for restructuring costs included £0.9 million relating to the warehouse development project. These costs are considered to be adjusted items as they are significant in value and relate to a one-off in nature. As a result, they are not considered to be normal operating costs of the business.

Impairment costs in cost of sales – £nil (2018: £1.1 million)

The impairment of the Blooming Marvellous tradename in the prior year was classified as an adjusted item on the basis that it was one-off in nature and significant in value.

Property related costs included in administrative expenses – £31.8 million (2018: £55.6 million)

The charge of £31.8 million (2018: £55.6 million) includes: £15.4 million of UK store impairments; £14.5 million of software impairment; £13.3 million of increase in the onerous lease provision; a £2.5 million credit in respect of store closure costs; and a profit arising on the sale of the Head office freehold property of £8.9 million.

Store closure provision – £2.5 million credit

Following the approval of the company voluntary arrangements (“CVA”) for Mothercare and ELC and the administration of Childrens World Limited, the closure programme reduces the estate to less than 80 stores. 43 stores have closed during the current year (and 16 stores closed post year-end in April 2019). The associated cost of closing these stores in the period include costs of redundancy, agent fees, and dilapidations costs. A net credit of £0.3 million was recognised with respect to store closures, including property dilapidations, redundancy and lease exit costs.

The prior year provision reflected the transformation strategy to take the core estate down to 80-100 destination stores over three years. The CVAs have reduced the time and cost of those closures resulting in a credit to the income statement in the current period.

Whilst costs associated with the closure of the UK store estate will recur across financial periods, the Group considers that they should be treated as an adjusted item given they are part of a strategic programme and are significant in value to the results of the Group.

Onerous lease provision – £13.3 million

Provisions for onerous leases are recognised when the Group believes that the unavoidable costs of meeting or exiting the lease obligations exceed the economic benefits expected to be received under the lease.

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The current year includes a significant charge taken to the onerous lease provision due to the continued declining performance of stores. The provision has been calculated using cashflows discounted on a pre-tax basis using a risk-free rate return. The unwind of this discount rate is charged to finance costs.

The charges associated with onerous leases and the impairment of store assets have been classified as adjusted items on the basis of the significant value of the charge/credit in the period to the results of the Group.

UK store impairment – £15.4 million

Following the decline in performance of the store estate, the Group has estimated the net present value of future cash flows to be below the carrying value of the store assets.

The impairment provision is calculated using discounted cash flows based on the reasonable worst-case strategic plan. This is in line with the approach used in the prior period.

The £15.4 million charge comprises the impairment of store assets, including £4.8 million related to closure stores and £10.6 million of non-closure stores as a result of the net present value of future cash flows being below the carrying value of the store assets.

The charges associated with the impairment of stores and onerous leases have been classified as adjusted items on the basis of the significant value of the charge in the period to the results of the Group.

Software impairment – £14.5 million

A charge of £14.5 million has been included for software impairment which comprises, £1.7 million licences for aspects of a planning system that will no longer be installed, and £12.8 million of general impairment against remaining intangibles.

Sale of Head office freehold properties – profit of £8.9 million

In December 2018, the Group sold and leased back the UK Head Office for cash of £14.5 million (net of £0.2 million fees). The carrying value of the assets prior to disposal was £5.6 million, generating a profit on disposal of £8.9 million.

Non-property related costs included in administrative expenses – £12.6 million (2018: £7.0 million)

Head office and store restructure costs – £7.0 million

During the period it was announced that the Sourcing offices would be closed with a third party taking on sourcing activities to drive economies of scale. Associated costs of £2.5 million relating to the closure of the sourcing office have been provided for and include severance pay, lease costs, and advisor fees. Further costs of £4.2 million relate to the UK head office and Stores restructure and include fees, the cost of specific project heads and redundancy costs. The salary costs for individuals that are substantially working on the restructure have been included in adjusted costs on the basis that these costs would not have been incurred had these projects not taken place.

Refinancing costs – £5.9 million

In May 2018 the group entered a refinancing and funding review resulting in the equity raise, Shareholder loan, two CVAs (Mothercare and ELC), the administration of Childrens World Limited, and the amendment to the group's banking facilities. Fees of £5.9 million associated with these activities have been recognised as adjusted costs.

Pension Increase Exchange – £1.4 million gain

In November 2018, members of the defined benefit pension scheme were offered the option of participating in a pension increase exchange (PIE). This enabled members the option of taking a higher pension now, in exchange for future increases being reduced to 75% of what they would otherwise have been. This has been recognised as a past service cost through the income statement. Fees of £0.2 million were incurred to implement this change, including the independent legal advice offered to members. The net impact of £1.4 million is considered to be one-off in nature and is therefore presented as an adjusted item.

Guaranteed minimum pensions – £0.6 million

On 26 October 2018 a High Court judgement was handed down regarding the Lloyds Banking Group's defined benefit pension scheme which affects many pension schemes in the UK, including the Group's UK schemes. The judgement concluded that schemes should be amended to ensure that members who have guaranteed minimum pensions (GMP) receive the same benefits regardless of their gender. This change impacts GMP benefits accrued between 1990 and 1997.

In consultation with independent actuaries, the Group has estimated the financial effect of equalising benefits is to increase the Group accounting pension deficit by £0.6 million. This has been recognised as a past service cost, and as this is one-off in nature therefore is presented as an adjusted item.

National Minimum Wage – £0.5 million

The Group has made a specific pay provision for the potential costs of complying with the National Minimum Wage (NMW) Regulations of £0.5 million. The liability has arisen due to time off in lieu payments timing not meeting the requirements of the NMW regulations, and

incidences of colleagues purchasing items of uniform that take the average pay below that required by NMW threshold. The provision is based on detailed workings for one year, extrapolated for the six-year review period. These discussions with HMRC are ongoing and the final settlement may differ to the provision held.

This provision, which is considered one-off and significant in value, relates to the catch up of historical liabilities, and as a result, is not considered to be within normal operating costs of the business.

Joint venture restructuring costs included in administrative expenses – £nil (2018: £1.9 million)

The prior year included a provision for debts and legal fees in connection with the former China joint venture. The China joint venture was disposed of during the year ended 24 March 2018.

Restructuring costs included in finance costs – £2.7 million (2018: £0.2 million)

In May 2018 the Group entered a refinancing and funding review, resulting in an equity raise, four Shareholder loans, two CVAs (Mothercare and ELC), and the amendment to the Group's banking facilities. The terms of the Shareholder loans allow for these loans to be converted into new ordinary shares of the Company at specific dates. The lenders' option to convert represents an embedded derivative that is fair valued using a Black Scholes model at each balance sheet date. The movement in the embedded derivative of £1.7 million is recognised as a finance cost in adjusted items.

Upon the renegotiation of banking facilities in the current year, a charge of £0.4 million for the previously unamortised facility fee was recognised in adjusted costs (2018: £0.2 million charge relating to the previous facility).

Finance costs also include £0.6 million (2018: £nil million) in relation to the unwind of the discount on the onerous lease provision.

Other adjusted items

Non-cash foreign currency adjustments of £0.9 million loss (2018: £21 million gain) include the revaluation of stock liabilities held in foreign currencies and the revaluation of outstanding forward contracts which have not yet been matched to the purchase of stock. The prior period totals have been adjusted to reflect consistent classification with the current period.

These revaluation and hedging adjustments are reported as adjusted items as the Group reports its underlying performance on a consistent basis with its cash flows; this is in line with how business performance is measured internally by the Board and Operating Board.

Amortisation charges related to intangible assets arising on the acquisition of Blooming Marvellous which were amortised on a straight line basis. Following the full impairment of Blooming Marvellous in 2018 there is no amortisation charge in the current period (2018: £0.4 million).

Amortisation charges on the intangible assets which arose on the acquisition of the Early Learning Centre are shown within discontinued operations and are disclosed in note 10.

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Cashflows arising on adjusted items

	Cash flows from operating activities		Cash flows from investing activities	
	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 £ million	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 £ million
Restructuring costs in cost of sales	–	(0.6)	–	–
Property related costs:				
Store closure costs ¹	(4.6)	(5.3)	–	–
Utilisation of onerous lease provisions	(7.6)	(3.3)	–	–
Proceeds from the sale of Head office freehold property	–	–	14.5	–
Other property costs	(0.3)	–	–	–
Non-property related costs in administrative expenses:				
Other fees	(0.2)	–	–	–
Head office and store restructure costs ²	(7.0)	(6.1)	–	–
Refinancing costs ³	(8.1)	(0.2)	–	–
Total	(27.8)	(15.5)	14.5	–
Adjusted cashflows from discontinued operations	(6.0)	–	–	–

(1) Settlement of store closure costs including dilapidations, redundancy, legal and professional fees

(2) Cash outflows on settlement of restructuring and redundancy costs

(3) Consultancy and professional service fees incurred as part of the Group's refinancing and funding review.

7. Loss from operations

Loss from continuing operations (except where specifically stated) has been arrived at after (crediting)/charging:

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 Restated* £ million
Net total foreign exchange (gains) / loss	(11)	4.3
Cost of inventories recognised as an expense	338.3	377.5
Write down of inventories to net realisable value	6.6	2.9
Depreciation of property, plant and equipment – continuing operations	9.8	13.7
Depreciation of property, plant and equipment – discontinuing operations	1.0	1.0
Amortisation of intangible assets – software (included in cost of sales before adjusted items) – continuing operations	10.5	8.0
Amortisation of intangible assets – software (included in cost of sales before adjusted items) – discontinuing operations	–	–
Amortisation of intangible assets – tradenames and customer relationships (included in adjusted items in cost of sales) – continuing operations	–	0.4
Amortisation of intangible assets – tradenames and customer relationships (included in adjusted items in cost of sales) – discontinuing operations	0.5	0.5
Impairment of property, plant and equipment	15.4	16.0
Impairment of intangible assets – software	14.5	–
Gain on disposal of property, plant and equipment – continuing operations	(91)	–
Loss on disposal of property, plant and equipment – discontinuing operations	1.0	–
Loss on disposal of software – discontinuing operations	0.4	–
Net rent of properties (see note 29)	26.0	40.8
Amortisation of lease incentives	(7.9)	(4.3)
Hire of plant and equipment	0.3	0.6
Loss allowance on trade receivables (see note 18)	3.9	2.1
Loss allowance on other financial assets measure at amortised cost		
Staff costs (including directors):		
Wages and salaries (including cash bonuses, excluding share-based payment charges)	55.3	61.5
Social security costs	4.1	4.4
Pension costs	4.8	5.5
Share-based payments credit (see note 30)	(0.8)	(0.1)

* The prior year has been restated for the reclassification of ELC discontinued operations (see note 10).

An analysis of the average monthly number of full and part-time employees throughout the Group in respect of continuing operations, including executive directors, is as follows:

	53 weeks ended 30 March 2019 Number	52 weeks ended 24 March 2018 Restated* Number
Number of employees comprising:		
UK stores	3,229	3,884
Head Office	495	642
Overseas	28	163
	3,752	4,689
Full time equivalents	2,189	2,767

* The prior year has been restated for the reclassification of ELC discontinued operations (see note 10).

Details of Directors' emoluments, share options and beneficial interests are provided within the remuneration report on pages 53 to 70.

For the 53 weeks ended 30 March 2019, loss from continuing operations is stated after an adjusted items net charge of £0.9 million (2018: £2.1 million credit) to cost of sales as a result of foreign currency adjustments under IAS 39 and IAS 21.

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The analysis of auditor's remuneration is as follows:

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 £ 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	0.4	0.4
Total audit fees	0.5	0.5
Total non-audit fees	1.0	0.1

The policy for the approval of non-audit fees is set out on page 46, in the corporate governance report.

Deloitte were engaged for non-audit services to produce a working capital report with regard to the proposed equity issue referred to in the Financial Review on pages 20 to 29 and work connected with the sale of the ELC trading activities and these are included in the note above.

8. Net finance costs

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 Restated* £ million
Interest and bank fees on bank loans and overdrafts	3.5	1.9
Other interest payable	1.4	–
Net interest on liabilities/return on assets on pension	0.9	2.0
Unwinding of discount on provisions (note 24)	0.6	–
Fair value movement on embedded derivatives	1.7	–
Interest payable	8.1	3.9
Interest received on bank deposits	(0.1)	(0.2)
Net finance costs	8.0	3.7

* The prior year have been restated on a consistent basis for the treatment of adjusted interest costs (£0.2 million) and for the reclassification of ELC discontinued operations (see note 10).

9. Taxation

The charge/(credit) for taxation on (loss)/profit for the period comprises:

	53 weeks ended 30 March 2019 £ million	52 weeks Ended Restated* 24 March 2018 £ million
Current tax:		
Current year	0.9	(1.8)
Adjustment in respect of prior periods	(0.1)	–
	0.8	(1.8)
Deferred tax: (see note 16)		
Current year	0.1	1.4
Adjustment in respect of prior periods	–	(0.6)
	0.1	0.8
Charge/(credit) for taxation on loss for the period	0.9	(1.0)

* The prior year has been restated for the reclassification of ELC discontinued operations (see note 10).

UK corporation tax is calculated at 19% (2018: 19%) of the estimated assessable profit for the period. The UK corporation tax rate will decrease further to 17% from 1 April 2020.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge/(credit) for the period can be reconciled to the (loss)/profit for the period before taxation per the consolidated income statement as follows:

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 Restated* £ million
Loss for the period before taxation	(66.6)	(94.0)
Loss for the period before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(12.7)	(17.8)
Effects of:		
Expenses/(income) not deductible for tax purposes	0.2	1.7
Impact of difference in current and deferred tax rates	1.3	(0.1)
Impact of overseas tax rates	2.8	1.6
Impact of overseas taxes expensed	(0.3)	(0.2)
Profits/losses surrendered to discontinued operations	(1.1)	(0.1)
Deferred tax not recognised/written off	10.9	14.5
Adjustment in respect of prior periods – current tax	(0.2)	–
Adjustment in respect of prior periods – deferred tax	–	(0.6)
Charge/(credit) for taxation on loss for the period	0.9	(1.0)

* The prior year has been restated for the reclassification of ELC discontinued operations (see note 10).

In addition to the amount charged to the income statement, deferred tax relating to retirement benefit obligations, share-based payments and cash flow hedges amounting to £0.4 million (2018: charge of £20.0 million) has been charged directly to other comprehensive income.

The Group has made a specific pay provision for the potential costs of complying with the National Minimum Wage (NMW) Regulations of £0.5 million which has been accounted for as an adjusted item (see note 6). The liability has arisen due to time off in lieu payments timing not meeting the requirements of the NMW regulations, and incidences of colleagues purchasing items of uniform that take the average pay below that required by NMW threshold. The provision is based on detailed workings for one year, extrapolated for the six-year review period. The discussions with HMRC are ongoing and the final settlement may differ to the provision held.

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10. Discontinued operations

On 12 March 2019, the Group entered into an agreement for the sale of the Early Learning Centre (ELC) trade and specified assets. This contract completed on 22 March 2019, and the subsequent Curated Wholesale Agreement with TEAL Brands Limited ("TEAL") took effect from 13 May 2019.

The results of the discontinued operations, which have been included in the consolidated income statement were as follows:

Financial performance and cash flow information

	53 weeks ended 30 March 2019			52 weeks ended 24 March 2018		
	Before adjusted items* £ million	Adjusted items £ million	Total £ million	Before adjusted items* £ million	Adjusted items £ million	Total £ million
Discontinued operations						
Revenue	52.5	–	52.5	73.9	–	73.9
Expenses	(42.8)	(0.2)	(43.0)	(47.6)	(1.0)	(48.6)
Gross profit	9.7	(0.2)	9.5	26.3	(1.0)	25.3
Administrative expenses	(0.4)	(30.3)	(30.7)	(0.9)	–	(0.9)
Profit/(loss) from operations	9.3	(30.5)	(21.2)	25.4	(1.0)	24.4
Net finance costs	(0.5)	–	(0.5)	(0.5)	–	(0.5)
Loss before taxation and foreign currency revaluations	8.8	(30.5)	(21.7)	24.9	(1.0)	23.9
Foreign currency revaluations	1.0	–	1.0	(2.7)	–	(2.7)
Profit/(loss) before taxation	9.8	(30.5)	(20.7)	22.2	(1.0)	21.2
Taxation	(5.6)	0.4	(5.2)	(4.3)	–	(4.3)
Profit/(loss) from discontinued operations	4.2	(30.1)	(25.9)	17.9	(1.0)	16.9

* Adjusted profit after tax on discontinued operations of £4.2 million (2018: £1.7 million) includes only those costs that are clearly identifiable as costs of the component that is being disposed of and that will not be recognised on an ongoing basis.

The results of the discontinued operations differ significantly from the reported statutory results of Early Learning Centre Limited, because they exclude fixed costs of £13.5 million (2018: £15.3 million) that currently remain in the Group, for example store occupancy and distribution costs, as these costs weren't discontinued as a result of the disposal agreement. Foreign exchange revaluation losses of £0.6 million (2018: £4.8 million) are also excluded from the presented discontinued operations result as they arose on balances which were not included in the sale agreement.

Adjusted item

The adjusted item of £30.1 million (2018: £1.0 million) mainly comprises the write-off of the goodwill and remaining intangible assets (trade name and customer relationships) relating to the Early Learning Centre acquisition in 2007, amortisation of the intangible assets and non-cash currency adjustments. 2018 comprises amortisation, costs relating to stock provisioning and non-cash currency adjustments.

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 £ million
Net cash inflow from operating activities	0.4	32.6
Net cash inflow/(outflow) from financing activities	5.5	(0.5)
Net increase in cash generated by the disposal and discontinued operations of ELC trading activities	5.9	32.1

Details of the sale of ELC trading activities

	53 weeks ended 30 March 2019 £ million
Consideration received or receivable:	
Cash	6.0
Deferred cash consideration	5.5
Total disposal consideration*	11.5
Legal expenses	(1.2)
Total net consideration	10.3
Write off of goodwill and intangible assets	(30.8)
Write off of property, plant and equipment	(1.4)
Write down of inventory	(2.3)
Write down of other assets	(0.8)
Transfer of inventory to TEAL	(5.5)
Loss before taxation	(30.5)
Attributable tax	0.4
Loss on sale of ELC	(30.1)

* Additional consideration of £1.0 million in May 2020 and £1.0m in May 2021 has been deferred as it will be earned over the first two years of trading under the Curated Wholesale Agreement with TEAL Brands Limited, and therefore the total consideration is deemed to be £13.5 million.

A total loss of £25.9 million arose on the disposal of the trading activities of ELC, being the difference between the proceeds of disposal and the carrying value of the subsidiary's remaining net assets and attributable goodwill.

The balance sheet includes £5.5 million of inventories which have been sold to TEAL Brands Limited since the year end.

There are no other held for sale assets or liabilities in relation to this discontinued operation.

11. Dividends

The directors are not recommending the payment of a final dividend for the period (2018: £nil) and no interim dividend was paid during the period (2018: £nil).

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12. Earnings per share

	53 weeks ended 30 March 2019 million	52 weeks ended 24 March 2018 Restated* million
Weighted average number of shares in issue	283.5	169.8
Dilution – option schemes	28.0	2.0
Diluted weighted average number of shares in issue	311.5	171.8
Number of shares at period end	341.7	170.9
	£ million	£ million
Loss for basic and diluted earnings per share	(67.5)	(93.0)
Adjusted items (note 6)	48.2	65.0
Tax effect of above items	(0.9)	0.3
Adjusted losses from continuing operations	(20.2)	(27.7)
	£ million	£ million
(Loss)/profit for basic and diluted earnings per share	(25.9)	16.9
Adjusted items (note 6)	30.5	1.0
Tax effect of above items	(0.4)	–
Adjusted earnings from discontinued operations	4.2	17.9
	£ million	£ million
Loss for basic and diluted earnings per share	(93.4)	(76.1)
Adjusted items (note 6)	78.7	66.0
Tax effect of above items	(1.3)	0.3
Adjusted losses for continuing and discontinued operations	(16.0)	(9.8)
From continuing and discontinued operations		
	Pence	Pence
Basic losses per share	(33.1)	(44.8)
Basic adjusted losses per share	(5.6)	(5.8)
Diluted losses per share	(33.1)	(44.8)
Diluted adjusted losses per share	(5.6)	(5.8)
From continuing operations		
	Pence	Pence
Basic losses per share	(23.8)	(54.8)
Basic adjusted losses per share	(7.1)	(16.3)
Diluted losses per share	(23.8)	(54.8)
Diluted adjusted losses per share	(7.1)	(16.3)
From discontinued operations		
	Pence	Pence
Basic (losses)/earnings per share	(9.1)	9.9
Basic adjusted earnings per share	1.5	10.6
Diluted (losses)/earnings per share	(9.1)	9.8
Diluted adjusted earnings per share	1.3	10.4

* The prior year has been restated for the reclassification of ELC discontinued operations (see note 10).

Impact of changes in accounting policy (see note 2)

IFRS 9 and IFRS 15 have been applied from 25 March 2018 with the application of the standards in the current accounting period and a cumulative effect adjustment at the date of initial application recognised through retained earnings. If the prior year had been restated then the impact would have been as follows:

	Reduction in profit for the year from continuing operations (net of taxation) 24 March 2018 £ million	Impact on basic earnings per share 24 March 2018 pence	Impact on diluted earnings per share 24 March 2018 pence
Impact of the adoption of IFRS 9	1.6	(0.9)	(0.9)
Impact of the adoption of IFRS 15	0.7	(0.4)	(0.4)
Total impact of changes in accounting policy	2.3	(1.3)	(1.3)

13. Subsidiaries and joint ventures

Details of all the Group's investments in subsidiaries and joint ventures, all of which are wholly owned (except where stated) and included in the consolidation, at the end of the reporting period is as follows:

Investment in subsidiaries	Country	% owned	Nature of Business	Direct/indirect
Chelsea Stores Holdings Limited	UK ⁽¹⁾	100%	Holding Company	Direct
Chelsea Stores (EBT Trustees) Limited	UK ⁽¹⁾	100%	Dormant	Indirect
Childrens World Limited	UK ⁽¹⁾	100%	In administration	Indirect
Chelsea Stores Holdings 2 Limited ¹	UK ⁽¹⁾	100%	Holding Company	Indirect
Early Learning Centre Limited	UK ⁽¹⁾	100%	Trading	Indirect
Mothercare Toys 3 Limited ²	UK ⁽¹⁾	100%	Property Company	Indirect
Mothercare Group Sourcing Limited	Hong Kong ⁽²⁾	100%	Trading	Indirect
Mothercare Toys 2 Limited ³	UK ⁽¹⁾	100%	Dormant	Indirect
Galleria Limited (11)	UK ⁽⁵⁾	100%	In liquidation	Direct
Mothercare Shops Group (11)	UK ⁽⁵⁾	100%	In liquidation	Indirect
TCR Properties Limited	UK ⁽¹⁾	100%	Dormant	Direct
Mothercare (Jersey) Limited	Jersey ⁽⁴⁾	100%	Trading	Direct
Mothercare Finance Limited	UK ⁽¹⁾	100%	Holding Company	Direct
Mothercare Sourcing Division (Bangladesh) Private Limited	Bangladesh ⁽⁵⁾	100%	Trading	Indirect
Mothercare Finance Overseas Limited	Cayman Islands ⁽⁶⁾	100%	Dormant	Direct
Mothercare Group Limited (The)	UK ⁽¹⁾	100%	Investment Holding Company	Direct
Mini Club UK Limited	UK ⁽¹⁾	100%	Trading	Indirect
Mothercare (Holdings) Limited	UK ⁽¹⁾	100%	Dormant	Indirect
Mothercare UK Limited	UK ⁽¹⁾	100%	Trading	Indirect
Gurgle Limited	UK ⁽¹⁾	100%	Trading	Indirect
Mothercare International (Hong Kong) Limited	Hong Kong ⁽²⁾	100%	Investment Holding Company	Indirect
Mothercare Sourcing India Private Limited	India ⁽⁷⁾	100%	Trading	Indirect
Mothercare Inc	USA ⁽⁸⁾	100%	Non Trading	Indirect
Princess Products Limited	UK ⁽¹⁾	100%	Dormant	Direct
Mothercare Business Services Limited ⁴	UK ⁽¹⁾	100%	Non Trading	Direct
Mothercare Procurement Limited	Hong Kong ⁽²⁾	100%	Trading	Direct
Mothercare Sourcing Limited	UK ⁽¹⁾	100%	Dormant	Direct
Mothercare Trademarks AG	Switzerland ⁽⁹⁾	100%	Trading	Direct
Clothing Retailers Limited	UK ⁽¹⁾	100%	Non Trading	Indirect
Retail Clothing Limited	UK ⁽¹⁾	100%	Dormant	Indirect
Strobe (2) Investments Limited	Jersey ⁽⁴⁾	100%	Non Trading	Direct
Strobe Investments Limited	Jersey ⁽⁴⁾	100%	Trading	Direct
Mothercare Commercial (Shanghai) Co Limited	China ⁽¹⁰⁾	100%	Trading	Indirect

1 Formerly Early Learning Holdings Limited

2 Formerly Early Learning Limited

3 Formerly ELC Limited

4 Formerly Mothercare Operations Limited

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Investment in joint ventures	Place of incorporation	Proportion of ownership interest %	Proportion of voting power held %
Wadicare Limited	Cyprus	30	30

Registered office address;

- (1) Cherry Tree Road, Watford, WD24 6SH, UK
- (2) 18 Floor Edinburgh Tower, The Landmark, 15 Queen's Road, Central, Hong Kong
- (3) Resolve Partners Limited, 48 Warwick Street, London, W1B 5NL, UK
- (4) Sanne Secretaries Limited, 13 Castle Street, St Helier, JE4 5UT, Jersey
- (5) 62/1 Purana Paltan, Level 4, Motijheel C/A, Dhaka 1000, Bangladesh
- (6) Maples & Calder, PO Box 309, Grand Cayman, Cayman Islands
- (7) Number 100, NA Elixir, 2nd Floor, 4th B Cross, 5th Block Industrial Layout, Koramangala, Bangalore, 560095, India
- (8) 1209 Orange Street, Wilmington, Delaware, 1980, USA
- (9) Haldenstrasse 5, 6340 Baar, Switzerland
- (10) Unit 7 and 8, 18 Floor, No 3 Building, No 1193 ChangNing Road, ChangNing District, Shanghai, China
- (11) Childrens World administrators RO, 8th Floor Central Square, 29 Wellington Street, Leeds, LS1 4DL

14. Goodwill and intangible assets

	Intangible assets					
	Goodwill £ million	Trade name £ million	Customer relationships £ million	Software £ million	Software under development £ million	Total Intangibles £ million
Cost						
As at 25 March 2017	68.6	29.2	5.7	55.8	4.7	95.4
Additions	–	–	–	6.7	1.8	8.5
Reclassification from property, plant and equipment	–	–	–	4.6	–	4.6
Transfers	–	–	–	4.7	(4.7)	–
Exchange differences	–	(0.2)	–	–	–	(0.2)
As at 24 March 2018	68.6	29.0	5.7	71.8	1.8	108.3
Additions	–	–	–	4.5	1.9	6.4
Derecognised on disposals	(68.6)	(25.0)	(5.5)	(2.3)	–	(32.8)
Transfers	–	–	–	1.8	(1.8)	–
Exchange differences	–	0.1	–	–	–	0.1
As at 30 March 2019	–	4.1	0.2	75.8	1.9	82.0
Amortisation and impairment						
As at 25 March 2017	41.8	22.8	5.7	30.3	–	58.8
Amortisation	–	0.9	–	8.0	–	8.9
Impairment	–	1.1	–	–	–	1.1
Exchange differences	–	(0.1)	–	–	–	(0.1)
As at 24 March 2018	41.8	24.7	5.7	38.3	–	68.7
Amortisation	–	0.5	–	10.5	–	11.0
Eliminated on disposal	(41.8)	(21.2)	(5.5)	(1.9)	–	(28.6)
Impairment	–	–	–	14.5	–	14.5
Exchange differences	–	0.1	–	–	–	0.1
As at 30 March 2019	–	4.1	0.2	61.4	–	65.7
Net book value						
As at 25 March 2017	26.8	6.4	–	25.5	4.7	36.6
As at 24 March 2018	26.8	4.3	–	33.5	1.8	39.6
As at 30 March 2019	–	–	–	14.4	1.9	16.3

Goodwill, trade name and customer relationships related 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.

Following the agreement to sell ELC trading activities to TEAL Brands Limited on 22 March 2019 (see note 10) the goodwill and intangible assets relating to the ELC business have been disposed of.

Software

Software is amortised on a straight line basis over its expected useful life which is usually five years. At each balance sheet date, the Group reviews the carrying amounts of its 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. As at year end, there are no intangible assets remaining with an indefinite useful life.

The recoverable amount is deemed to be 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 ("CGU") is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to that recoverable amount. An impairment loss is recognised as an expense in administrative expenses immediately.

The relevant CGUs have been identified as the whole Group for any other software as these are used across the entire business. The key assumptions for the value in use calculations are those regarding the discount rate. Management has used a pre-tax discount rate of 12.6%.

Sensitivity analysis has been undertaken, which reduces the net present value of future cash flows. There is no indication that the carrying value of software would require further impairment over and above the £14.5 million already booked.

Software additions include £4.5 million (2018: £3.6 million) of internally generated intangible assets.

At 30 March 2019, the Group had entered into contractual commitments for the acquisition of software amounting to £0.5 million (2018: £0.6 million).

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15. Property, plant and equipment

	Freehold £ million	Leasehold £ million	Fixtures, fittings, equipment £ million	Assets in course of construction £ million	Total £ million
Cost					
As at 25 March 2017	6.9	96.8	148.5	4.9	257.1
Transfers	–	–	4.9	(4.9)	–
Reclassification to software	–	–	(4.6)	–	(4.6)
Additions	–	5.4	2.7	1.8	9.9
Disposals	–	(6.4)	(9.3)	–	(15.7)
Exchange differences	–	–	(0.1)	–	(0.1)
As at 24 March 2018	6.9	95.8	142.1	1.8	246.6
Transfers	–	–	1.8	(1.8)	–
Additions	–	2.6	1.5	1.8	5.9
Disposals	(3.5)	(22.7)	(23.2)	–	(49.4)
Transfer to assets held for sale (note 20)	(3.4)	–	–	–	(3.4)
As at 30 March 2019	–	75.7	122.2	1.8	199.7
Accumulated depreciation and impairment					
As at 25 March 2017	2.7	66.6	107.4	–	176.7
Charge for period	–	4.2	10.5	–	14.7
Impairment	–	10.2	5.8	–	16.0
Disposals	–	(6.3)	(9.4)	–	(15.7)
Exchange differences	–	–	(0.1)	–	(0.1)
As at 24 March 2018	2.7	74.7	114.2	–	191.6
Charge for period	–	4.1	6.7	–	10.8
Impairment	1.4	5.3	8.7	–	15.4
Disposals	(1.2)	(20.7)	(21.0)	–	(42.9)
Transfer to assets held for sale (note 20)	(2.9)	–	–	–	(2.9)
As at 30 March 2019	–	63.4	108.6	–	172.0
Net book value					
As at 25 March 2017	4.2	30.2	41.1	4.9	80.4
As at 24 March 2018	4.2	21.1	27.9	1.8	55.0
As at 30 March 2019	–	12.3	13.6	1.8	27.7

The net book value of leasehold properties includes £12.3 million (2018: £21.0 million) in respect of short leasehold properties. A £15.4 million charge for the impairment of property, plant and equipment has been included within adjusted – administrative expenses items (2018: £16.0 million) as impairment testing during the period has identified a number of stores where the current and anticipated future performance does not support the carrying value of the stores.

A store impairment review has been completed, against which impairment of £15.4 million was recognised and included within adjusted items in note 6. The recoverable amount of the total store assets is £16.1 million based on the value in use of the individual store after taking into consideration the carrying value of unamortised landlord contributions relating to stores at 30 March 2019 of £17.1 million.

An impairment review of group level intangibles and fixed assets has been completed for CGUs including both the UK and international operating segments. The impairment review covered those assets which cannot be reasonably and consistently allocated to a single store Cash Generating Unit or between the two operating segments in line with the requirements of IAS 36. The total impairment recognised against the group level intangibles and fixed assets is £299 million. The recoverable amount of total Group level intangibles and fixed assets is £44.0 million based on the value in use of the group level cash flows after taking into consideration the carrying value of unamortised landlord contributions at 30 March 2019 of £17.1 million and carrying amount of store level assets of £16.1 million. A risk free rate of 12% has been applied.

At 30 March 2019, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £nil million (2018: £2.0 million).

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 25 March 2017	7.8	2.3	13.7	0.2	(0.8)	1.6	24.8
Charge/(credit) to income	(3.8)	(3.1)	7.4	(0.1)	–	(1.6)	(1.2)
Credit/(charge) to other comprehensive income	–	1.2	(21.1)	(0.1)	–	–	(20.0)
At 24 March 2018	4.0	0.4	–	–	(0.8)	–	3.6
(Charge)/credit to income	(3.9)	(0.1)	–	–	0.8	–	(3.2)
Credit/(charge) to other comprehensive income	–	(0.6)	0.2	–	–	–	(0.4)
At 30 March 2019	0.1	(0.3)	0.2	–	–	–	–

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:

	30 March 2019 £ million	24 March 2018 £ million
Deferred tax assets	0.3	4.4
Deferred tax liabilities	(0.3)	(0.8)
	–	3.6

At 30 March 2019, the Group has unused capital losses of £6295 million (2018: £6472 million) available for offset against future capital gains. No asset has been recognised in respect of the capital losses as it is not considered probable that there will be future taxable capital gains. The capital losses may be carried forward indefinitely.

The Group has taken a prudent approach given the uncertainty around future profitability of the relevant statutory entities and as at the balance sheet date deferred tax assets of £18.9 million on accelerated depreciation, £21 million on short-term timing differences, and £3.0 million on retirement benefit obligations have not been recognised. The Group also has unrelieved tax losses of £1096 million (2018: £696 million) available for offset against future profits at the balance sheet date. No deferred tax asset has been recognised for such losses.

In arriving at the decision not to recognise a deferred tax asset, management has critically assessed all available information, including future business profit projections and in certain cases, analysis of historical operating results. These forecasts are consistent with those prepared and used internally for business planning and impairment testing purposes. Following this evaluation, it was determined there would be insufficient taxable income generated to realise the benefit of the remaining deferred tax assets in the near future.

At the reporting date, deferred tax liabilities of £12 million (2018: £21 million) relating to withholding taxes have not been provided for in respect of the aggregate amount of unremitted earnings of 18.3 million (2018: £197 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.

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17. Inventories

	30 March 2019 £ million	24 March 2018 £ million
Gross value	72.5	92.0
Allowance against carrying value of inventories	(5.7)	(5.0)
Finished goods and goods for resale	66.8	87.0

The cost of inventories recognised as an expense during the year in respect of continuing operations was £372.9 million (2018: £417.0 million). The amount of write down of inventories to net realisable value recognised within net income in the period is a charge of £7.3 million (2018: £3.4 million charge for total operations). All inventories (2018: All) are expected to be recovered within the year.

Following the implementation of IFRS 15, recognised in the year is a right to returned goods asset of £0.7 million, which represents the Group's right to recover products from customers where customers exercise their right to return under the Group's 30 day returns policy. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. As stated in note 2, IFRS 15 has been applied in the current accounting period and a cumulative effect adjustment at the date of initial application recognised through retained earnings. Had the prior period been adjusted the comparative right to return goods asset would have been £0.9 million.

18. Trade and other receivables

	30 March 2019 £ million	24 March 2018 £ million
Trade receivables gross	34.8	49.9
Allowance for doubtful debts (covered by ECL after the implementation of IFRS 9)	–	(2.7)
Expected credit losses (ECL) under IFRS 9	(7.7)	–
Trade receivables net	27.1	47.2
Prepayments	11.2	9.6
Accrued income	5.6	3.7
Prepaid facility fees	0.2	0.4
Other receivables	1.8	3.6
Trade and other receivables due within one year	45.9	64.5

Non-current assets

Other receivables	–	0.1
Trade and other receivables due after more than one year	–	0.1

The following table details the risk profile of trade receivables based on the Group's provision matrix, which determines the expected credit loss by reference to age of the debt as well as micro and macroeconomic factors.

Trade receivables – days past due	Not past due £ million	< 30 days £ million	31-60 days £ million	61-90 days £ million	91-120 days £ million	>120 days £ million	Total £ million
Expected credit loss rate (ECL)	11%	30%	13%	33%	14%	55%	22%
Estimated total gross carrying amount at default	21.0	2.0	1.6	0.9	2.2	7.1	34.8
Lifetime ECL	(2.4)	(0.6)	(0.2)	(0.3)	(0.3)	(3.9)	(7.7)
At 30 March 2019	18.6	1.4	1.4	0.6	1.9	3.2	27.1

Trade receivables – days past due	Not past due £ million	< 30 days £ million	31-60 days £ million	61-90 days £ million	91-120 days £ million	>120 days £ million	Total £ million
Expected credit loss rate (ECL)	0%	2%	19%	13%	11%	67%	5%
Estimated total gross carrying amount at default	34.8	5.1	1.6	2.4	3.6	2.4	49.9
Lifetime ECL (as previously stated)	–	(0.1)	(0.3)	(0.3)	(0.4)	(1.6)	(2.7)
At 24 March 2018	34.8	5.0	1.3	2.1	3.2	0.8	47.2

The following tables explain how significant changes in the gross carrying amount of the trade receivables contributed to the loss allowance.

The following summarises the movement in the allowance for doubtful debts:

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 £ million
Balance at beginning of period	(2.7)	(7.0)
Adjustment upon application of IFRS 9	(2.0)	–
Balance as restated at 25 March 2018	(4.7)	(7.0)
Amounts written off during the period as uncollectable	0.3	6.2
Amounts recovered in the period	0.6	0.2
Charged in the period	(3.9)	(2.1)
Balance at end of period	(7.7)	(2.7)

The Group's exposure to credit risk inherent in its trade receivables is discussed in note 22. The Group has no significant concentration of credit risk, except as disclosed above. The Group operates effective credit control procedures in order to minimise exposure to overdue debts. Before accepting any new trade 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.

Debtor balances which are not provided for are either on payment plans and abide or pay to terms with the exception of timing due to unforeseen circumstances.

Provisions for doubtful trade receivables are established based upon the difference between the receivable value and the estimated net collectible amount. The Group establishes its provision for doubtful trade receivables 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.

20. Assets classified as held for sale

On 8 February 2019 the Group entered into a sale agreement to dispose of two of its remaining freehold properties. This disposal was completed on 25 April 2019 and as a result was reclassified from property, plant and equipment to assets classified as held for sale. At the year end, the assets have been valued in the books at the estimated amount of the disposal proceeds of £0.5 million.

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21. Borrowing

The Group had outstanding borrowings at 30 March 2019 of £23.2 million (2018: £44.1 million). The revolving credit facility is secured on the shares of specified obligor subsidiaries and the assets of the group not already pledged.

In May 2018 the Group's two existing banks, HSBC and Barclays, agreed to provide a revolving credit facility of £675 million comprising two tranches. Tranche A is £50.0 million stepping down to £30.0 million in September 2020, with final maturity in December 2020. Tranche B was £175 million and matured in November 2018, at which point an overdraft of £5.0 million became uncommitted outside of the revolving credit facility. During the year the net proceeds from the sale and lease back of the UK Head Office and the consideration for the sale of the ELC trading activities has been used to reduce the drawings under the bank facilities. On 25 April 2019, £0.5 million proceeds from the sale of the held for sale properties, Ayr and Paisley; and on 15 May 2019, £5.5 million of deferred consideration from the sale of ELC to TEAL Brands Limited were used to repay the RCF. Further, the proceeds from selling the excess Early Learning Centre stock will be applied against the RCF, with the limit stepping-down by £2.0 million increments in June, July and August. As a result, by the end of August 2019, the limit on the RCF will be £18 million. As at 30 March 2019 the Group had net debt of £6.9 million (2018: £44.1 million) and had headroom on both cash and covenants on its facility. The Group has agreed with the banks to reduce its covenant targets in December 2019.

The Group has also raised shareholder loans of £8.0 million during the period. These loans have a termination date of June 2021. These shareholder loans provide an opportunity for the lender to convert the loan into ordinary shares of the Company at specified dates. It is accounted for at amortised cost of £6.2 million at 30 March 2019, and the option to convert is fair valued and treated as an embedded derivative valued as a liability of £4.8 million (see note 22). The shareholder loans attract a monthly compound interest rate of 0.83%.

Borrowing facilities

	30 March 2019 £ million	24 March 2018 £ million
Borrowings:		
Secured borrowings at amortised cost:		
Bank overdraft	–	1.6
Revolving credit facility	17.0	42.5
Shareholder loan	6.2	–
Total Borrowings	23.2	44.1
Amount due for settlement within one year	11.5	1.6
Amount due for settlement after one year	11.7	42.5
Weighted average interest rate paid (for when borrowings in place)	7.4%	2.86%

22. Financial risk management

A. The classes and categories of the Groups financial instruments are categorised as follows:

Financial Instruments: Categories

	Fair value level	30 March 2019 £ million	24 March 2018 £ million
Financial assets			
Derivatives designated as hedging instruments	1	1.5	0.1
Customer and other receivables at amortised cost*		32.9	51.4
Cash and short-term deposits		16.3	–
Total		50.7	51.5
Financial liabilities			
Derivatives designated as hedging instruments	1	–	10.0
Derivatives not designated as hedging instruments	2	4.8	–
Trade and other payables at amortised cost**		51.7	57.0
Interest bearing loans and borrowings:			
Bank overdraft		–	1.6
Revolving credit facility		17.0	42.5
Shareholder loans	2	6.2	–
Total		79.7	111.1

* Prepayments of £11.2 million (2018: £9.6 million) and other debtors of £18 million (2018: £3.6 million) do not meet the definition of a financial instrument.

** Property lease incentives of £18.0 million (2018: £24.3 million), other creditors, (including accruals, payroll creditors and deferred income) of £47.7 million (2018: £45.1 million) do not meet the definition of a financial instrument.

Fair value hierarchy levels 1-3 are based on the degree to which the fair value is observable and are defined as:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. Prices) or indirectly (i.e. derived from prices); and Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivatives and the shareholder loan are valued at fair value. All other financial assets/liabilities are valued at amortised cost.

B. 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.

C. 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 has historically used forward foreign currency contracts to reduce its cash flow exposure to exchange rate movements, primarily on the US dollar. The Group has applied hedge accounting and the contracts are considered effective cash flow hedges and are accounted for by recognising the gain/loss on the hedge through reserves. The contracts outstanding at year end mature between March 2019 and May 2019. The Group has more recently relied on its foreign currency denominated revenues to provide a natural hedge against its foreign currency denominated stock purchases.

The Group 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, these have been hedged in the past and hedge accounting has been applied for the contracts and the gain / loss on the hedge has been recognised through reserves.

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.

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 for continuing operations represent 34% (2018: 34%) of Group sales. Of these sales, 38% (2018: 30%) were invoiced in foreign currency. The Group purchases product in foreign currencies, representing approximately 66% (2018: 65%) of purchases.

The following table provides an overview of the notional value of derivative financial instruments outstanding at year end by maturity profile:

	30 March 2019 £ million	24 March 2018 £ million
Foreign currency forward exchange contracts:		
Less than one year	21.5	132.1
After one year but not more than five years	–	21.5
	21.5	153.6

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The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	30 March 2019 £ million	24 March 2018 £ million	30 March 2019 £ million	24 March 2018 £ million
US dollar	(0.6)	(0.7)	38.2	33.3
Euro	(0.8)	–	–	1.6
Hong Kong dollar	(1.8)	(1.0)	1.1	0.3
Indian rupee	(0.9)	(0.9)	1.6	5.4
Chinese renminbi	(0.3)	(0.9)	0.4	0.8
Bangladeshi taka	–	(0.2)	0.1	0.3
	(4.4)	(3.7)	41.4	41.7

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

	30 March 2019 £ million	24 March 2018 £ million
At notional value	21.5	153.6
At fair value – less than one year	1.5	(9.4)
At fair value – more than one year	–	(0.6)
Total fair value	1.5	(10.0)

The fair value of forward foreign currency contracts due in less than one year is a £1.5 million asset (2018: £9.4 million liability).

At 30 March 2019, the average hedged rate for outstanding forward foreign currency contracts is 1.34 for US dollars. There are no outstanding hedged contracts in Euros or Russian roubles. These contracts mature between April 2019 and May 2019.

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 £nil million above notional value (2018: £0.1 million above).

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% 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 adjusted items or in other comprehensive income where pounds sterling strengthens against the US dollar.

	Reflected in profit and loss		Reflected in equity	
	30 March 2019 £ million	24 March 2018 £ million	30 March 2019 £ million	24 March 2018 £ million
US dollar impact	(14.8)	(3.7)	0.7	11.7

D. 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 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 derivative financial assets. Debtor balances which are not provided for are either on payment plans and abide or pay to terms with exception of timing due to unforeseen circumstances.

The average credit period on gross trade receivables was 23 days (2018: 26 days) based on total group revenue. The average credit period on International gross trade receivables based on international revenue was 61 days (2018: 73 days).

E. 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 21 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows (including interest) of the Group's financial liabilities, including cash flows in respect of derivatives:

Financial liabilities	Less than 1 year £ million	1 to 2 years £ million	2-5 years £ million	Over 5 years £ million	Total £ million
Borrowings	11.5	5.5	6.2	–	23.2
Trade and other payables	51.7	–	–	–	51.7
Derivatives	–	–	4.8	–	4.8
At 30 March 2019	63.2	5.5	11.0	–	79.7

Financial liabilities	Less than 1 year £ million	1-2 years £ million	2-5 years £ million	Over 5 years £ million	Total £ million
Borrowings	1.6	42.5	–	–	44.1
Trade and other payables	57.0	–	–	–	57.0
Derivatives	9.4	0.6	–	–	10.0
At 24 March 2018	67.6	43.1	–	–	111.1

F. Interest rate risk

The principal interest rate risk of the group arises in respect of the drawdown of the revolving credit facility. This facility is at a fixed rate plus LIBOR, it exposes the group to cashflow interest rate risk. The interest exposure is monitored by management but due to low interest rate levels during the period the risk is believed to be minimal and no interest rate hedging has been undertaken.

G. 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 to use derivative financial instruments, where possible, 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.

23. Trade and other payables

	30 March 2019 £ million	24 March 2018 £ million
Current liabilities		
Trade payables	48.4	55.6
Payroll and other taxes including social security	1.4	0.8
Accruals	45.9	43.9
Deferred income	0.4	0.4
Lease incentives	3.2	4.2
VAT payable	3.3	1.4
	102.6	106.3
Non-current liabilities		
Lease incentives	14.8	20.1

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 44 days (2018: 48 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.

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24. Provisions

	30 March 2019 £ million	24 March 2018 £ million
Current liabilities		
Property provisions	21.5	16.5
Other provisions	0.3	0.3
Short-term provisions	21.8	16.8
Non-current liabilities		
Property provisions	31.3	36.5
Other provisions	0.3	0.3
Long-term provisions	31.6	36.8
Property provisions	52.8	53.0
Other provisions	0.6	0.6
Total provisions	53.4	53.6

The movement on total provisions is as follows:

	Property provisions £ million	Other provisions £ million	Total provisions £ million
Balance at 25 March 2018	53.0	0.6	53.6
Utilised in period	(15.0)	–	(15.0)
Charged in period	51.6	–	51.6
Released in period	(37.4)	–	(37.4)
Unwinding of discount (see note 6 and 8)	0.6	–	0.6
Balance at 30 March 2019	52.8	0.6	53.4

Property provisions principally represent the costs of store disposals or closures relating to the UK portfolio which involves the closure of Mothercare stores following the CVA activity in May 2018 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 five financial years.

Other provisions represent provisions for uninsured losses of £0.6 million (2018: £0.6 million), hence the timing of the utilisation of these provisions is uncertain.

25. Share capital

	53 weeks ended 30 March 2019 Number of shares	52 weeks ended 24 March 2018 Number of Shares	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 £ million
Issued and fully paid				
Ordinary shares of 50 pence each				
Balance at beginning of period	170,871,885	170,867,497	85.4	85.4
Issued under the Mothercare Sharesave Scheme	–	4,388	–	–
Conversion of shares to 1 pence ordinary and 49 pence deferred shares	(170,871,885)	–	(85.4)	–
Balance at end of period	–	170,871,885	–	85.4
Ordinary shares of 1 pence each				
Balance at beginning of period	–	–	–	–
Conversion from ordinary shares of 50 pence	170,871,885	–	1.7	–
Issue of shares in the period	170,871,885	–	1.7	–
Balance at the end of period	341,743,770	–	3.4	–
Deferred shares of 49 pence each				
Balance at beginning of period	–	–	–	–
Conversion of shares from ordinary shares	170,871,885	–	83.7	–
Balance at end of period	170,871,885	–	83.7	–
Total share capital at end of period			87.1	85.4

On 27 July 2018 Mothercare plc subdivided its existing 170,871,885 ordinary shares of 50 pence into 170,871,885 ordinary shares of 1 pence and 170,871,885 deferred shares of 49 pence. The deferred shares do not carry any voting rights. On the same date, the Company issued a further 170,871,885 ordinary shares at 19 pence. This raised equity of £32.5 million, an increase in share capital of £1.7 million, and £27.9 million of share premium (after expenses of £2.9 million).

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

The own shares reserve of £11 million (2018: £11 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 30). The total shareholding is 998,022 (2018: 1,019,693) with a market value at 30 March 2019 of £0.2 million (2018: £0.2 million).

26. Share premium

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 £ million
Balance at beginning of period	61.0	61.0
Premium arising on issue of new shares	30.8	–
Share issue costs	(2.9)	–
Balance at end of period	88.9	61.0

See note 25 above for further details.

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27. Translation and hedging reserves

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 £ million
Translation reserve		
Balance at beginning of period	(1.9)	(1.3)
Exchange differences on translation of foreign operations	0.1	(0.6)
Balance at end of period	(1.8)	(1.9)
Hedging reserve		
Balance at beginning of period	(9.4)	5.2
Cash flow hedges: gains/(losses) arising in the period	12.9	(18.8)
(Removal)/additions to equity to/from inventory during the period	(1.6)	2.8
Deferred tax on cash flow hedges	(0.6)	1.4
Balance at end of period	1.3	(9.4)

28. Reconciliation of cash flow from operating activities

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 Restated* £ million
Loss from continuing operations	(58.6)	(90.3)
Adjustments for:		
Depreciation of property, plant and equipment	9.8	13.7
Amortisation of intangible assets	10.5	8.4
Impairment of property, plant and equipment and intangible assets	299	171
Profit on sale of property, plant and equipment	(91)	-
Loss on adjusted foreign currency movements	2.6	3.9
Equity-settled share-based payments	(0.8)	-
Movement in provisions	(0.2)	31.0
Amortisation of lease incentives	(7.9)	(4.3)
Lease incentives received	1.0	2.4
Payments to retirement benefit schemes	(14.4)	(11.8)
Charge to profit from operations in respect of retirement benefit schemes	2.3	3.2
Operating cash flow before movement in working capital	(34.9)	(26.7)
Decrease/(increase) in inventories	28.9	(2.4)
Decrease/(increase) in receivables	20.1	(8.2)
(Decrease)/increase in payables	(10.3)	1.7
Foreign exchange movements on working capital	(1.7)	6.3
Net cash flow from operating activities	2.1	(29.3)
Income taxes paid	(1.1)	(2.0)
Net cash flow from operating activities – continuing operations	1.0	(31.3)
Net cash flow from operating activities – discontinued operations	0.4	32.6

* Restated for the adoption of IFRS 15 and ELC discontinued operations

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

Analysis of net debt

	Note	25 March 2018 £ million	Cash flow £ million	Foreign exchange £ million	Other non-cash movements ¹ £ million	30 March 2019 £ million
Shareholder loan	21	–	(8.0)	–	1.8	(6.2)
Revolving credit facility	21	(42.5)	25.5	–	–	(17.0)
Cash at bank /overdraft *	19/21	(1.6)	17.0	0.9	–	16.3
Net debt		(44.1)	34.5	0.9	1.8	(6.9)

* The cash flows of the bank overdraft and cash at bank are merged and cannot be separately categorised.

1. Non-cash movements comprise the £3.0 million valuation of the embedded derivative at inception, £1.4 million of interest accrued on the shareholder loans, and £(0.2) million of facility fee amortisation.

The RCF at 30 March 2019 had a limit of £30.0 million (of which £17.0m was drawn down), which included a £10.0 million committed overdraft facility.

On 25 April 2019, £0.5 million proceeds from the sale of the held for sale properties Ayr and Paisley; and, on 15 May 2019, £5.5 million of deferred consideration from the sale of ELC to TEAL Brands Limited were used to repay the RCF. The RCF limit will be further reduced by £2.0 million increments in June, July and August, through repayment of the proceeds received from the sale of ELC stock not transferred to TEAL, such that by the end of August 2019, the limit on the RCF will be £18 million.

29. Operating lease arrangements

The Group as lessee:

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 £ million
Amounts recognised in cost of sales for the period:		
Minimum lease payments paid	26.0	40.8
Contingent rents	–	0.1
Minimum sublease payments received	–	(0.1)
Net rent expense for the period	26.0	40.8

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:

	30 March 2019 £ million	24 March 2018 £ million*
Not later than one year	26.4	44.0
After one year but not more than five years	81.9	108.4
After five years	41.8	69.0
Total future minimum lease payments	150.1	221.4

* Following a review of operating leases during the implementation of IFRS16 we identified one operating lease that was excluded from the operating lease commitments and the prior year comparatives, have been restated.

At the balance sheet date, the following future minimum lease amounts are contractually receivable from sub-tenants:

	30 March 2019 £ million	24 March 2018 £ million
Not later than one year	–	0.4
After one year but not more than five years	–	1.1
Total future minimum lease receivables	–	1.5

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30. Share-based payments

An expense is recognised for share-based payments based on the fair value of the awards (at the date of grant 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 decrease in the charge year on year is due to a change in the estimated number of shares that will vest.

Share-based payments comprise a credit of £0.8 million (2018: £0.1 million credit) including national insurance, of which £nil million (2018: £0.1 million credit) was equity-settled. At 30 March 2019 the liability in the balance sheet is £0.2 million related to the expected national insurance charge when share-based payment schemes vest (2018: £0.7 million).

These charges relate to the following schemes:

- A. Save As You Earn Schemes
- B. Long Term Incentive Plans – LTIP 2012
- C. Long term Incentive Plans – LTIP 2019
- D. Retention Share Plan
- E. Value Creation Plan
- F. Senior Management Incentive Plan and Management Incentive Plan

Details of the share schemes that the Group operates are provided in the directors' remuneration report on pages 62 to 63.

For each scheme, expected volatility was determined with reference to the 90-day volatility of the Company 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. Save As You Earn Schemes

The employee Save As You Earn schemes are open to all eligible employees and provide for a purchase price equal to the average daily mid-market price on the three 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.

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

	Weighted average exercise price	53 weeks ended 30 March 2019 Number of shares	52 weeks ended 24 March 2018 Number of Shares
Balance at beginning of period	112p	2,051,816	3,505,488
Granted during period	13p	6,497,914	–
Forfeited during period	102p	(117,704)	(310,553)
Exercised during period		–	(4,388)
Cancelled in the period	80p	(920,591)	(950,229)
Expired during period	126p	(620,137)	(188,502)
Balance at end of period	22p	6,891,298	2,051,816

The shares outstanding at 30 March 2019 had a weighted average remaining contractual life of 2.7 years and ranged in price from 13p to 169p.

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

	December 2018	December 2016	December 2015
Grant date			
Number of options granted	6,497,914	2,430,840	1,216,606
Share price at grant date	18p	112p	224p
Exercise price	13p	90p	169p
Expected volatility	58.0%	52.0%	42.0%
Risk free rate	1.33%	0.23%	0.54%
Expected dividend yield	Nil	Nil	Nil
Time to expiry	3 years	3.25 years	3.25 years
Fair value of option	8.9p	48.8p	90.8p

The resulting fair value is expensed over the service period of three years on the assumption that 10% of options will lapse over the service period as employees leave the Group.

B. Long Term Incentive Plans- LTIP 2012

In December 2014 and March 2015 the Group granted awards under Mothercare plc 2012 Long Term Incentive Plan. The performance conditions related to group profit before tax and share price performance. These conditions were tested in relation to the results for the financial years ended March 2018 and March 2017 respectively to determine what % of the shares vest and have subsequently lapsed.

In June 2015, December 2015 and February 2016 the Group granted further awards under Mothercare plc 2012 Long Term Incentive Plan. The performance conditions relate to group profit before tax and relative total shareholder return (TSR) weighted equally 50:50. The TSR element lapsed as at the end of the year ended March 2018 and the PBT element is expected to lapse as a result of the financial results for the year ended March 2019. No consideration is payable for the grant of these awards.

	June 2015	June 2015	December 2015	December 2015	February 2016	February 2016
Grant date	PBT awards	TSR awards	PBT awards	TSR awards	PBT awards	TSR awards
Number of shares awarded	1,303,870	1,303,870	71,096	71,096	79,802	79,802
Share price at date of grant	258p	258p	240p	240p	198p	198p
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility	54.14%	44.76%	54.14%	44.76%	54.14%	44.76%
Risk-free rate	1.21%	0.87%	1.21%	0.87%	1.21%	0.87%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Fair value of shares granted	258p	183p	258p	183p	258p	183p
Average time to expiry	4.0 years	3.0 years	3.5 years	2.5 years	3.3 years	2.3 years

In August 2016 the Group granted further awards under the Mothercare plc 2012 Long Term Incentive Plan. The performance conditions relate to Group adjusted basic earnings per share and relative total shareholder return weighted equally 50:50. These conditions will be tested in relation to financial year ending March 2019 three years from date of award respectively to determine what percentage of the shares vest. No consideration is payable for the grant of these awards.

	August 2016	August 2016
Grant date	EPS awards	TSR awards
Number of shares awarded	2,269,692	2,269,692
Share price at date of grant	131p	131p
Exercise price	Nil	Nil
Expected volatility	46.5%	46.5%
Risk-free rate	0.09%	0.09%
Expected dividend yield	Nil	Nil
Fair value of shares granted	131p	87p
Average time to expiry	3.5 years	3.5 years

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C. Long Term Incentive Plans – LTIP 2019

In March 2019 the Group granted awards under the Mothercare plc 2019 Long term Incentive Plan. These consisted of an award of Conditional shares, which carry no performance conditions other than continued service, and a nil cost option award for which vesting is subject to a relative total shareholder return (TSR) performance condition against a bespoke comparator group as well as fulfilment of share price underpin.

	March 2019	March 2019
Grant date	Nil cost options	Conditional shares
Number of shares awarded	7,608,053	774,110
Share price at date of grant	22.5p	22.5p
Exercise price	Nil	Nil
Expected volatility	58.3%	58.3%
Risk-free rate	0.63%	0.63%
Expected dividend yield	Nil	Nil
Fair value of shares granted	13.1p	22.5p
Average time to expiry	3.0 years	3.0 years

D. Retention Share Plan

In August 2016 the Group granted awards under the Retention share plan. The performance conditions were directly linked to the long term incentive plan awarded in December 2014 and March 2015. The retention share plan has vested and some participants are still to exercise. No consideration was payable for the grant of these awards.

	August 2016	August 2016
Grant date	PBT awards	TSR awards
Number of shares awarded	131,072	131,072
Share price at date of grant	135p	135p
Exercise price	Nil	Nil
Expected volatility	56.3%	49.0%
Risk-free rate	0.92%	0.18%
Expected dividend yield	Nil	Nil
Fair value of shares granted	184p	131p
Average time to expiry	1.8	1.8

E. Value Creation Plan

In August 2017 the Group granted awards under the Value creation plan (VCP) with the grant of an additional award in September 2017 for the incoming Chief Financial Officer. The VCP grants nil cost options to selected participants based on Total Shareholder Return over a three year period to March 2020. The awards are exercisable in three equal tranches from March 2020 through to March 2022. The fair value at the date of grant was calculated using a Monte Carlo model as the VCP carries a share price based performance condition. The volatility was based on share price information. The fair value of the allocated VCP thus far is £12 million to be spread over a five year period. A charge of £0.3 million was recognised in the financial year.

F. Senior Management Incentive Plan and Management Incentive Plan

In August 2017 the group granted awards under the Senior Management Incentive Plan ("SMIP") and Management Incentive Plan ("MIP"). The performance conditions relate to the total shareholder return ("TSR") over the period from grant to March 2020. The incentive schemes are cash settled with values dependant on a share price over £2.00. To the extent that TSR meets or exceeds £2.00, participants in the plan will receive a cash bonus based on a percentage of base salary. A Monte Carlo model has been used to calculate the fair value of awards. The volatility was based on share price information. The fair value of this award at year end was immaterial with an average time to expiry of 2.01 years.

31. 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 £1.8 million (2018: £1.9 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 schemes' 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 valuation was carried out as of 30 March 2017 and was updated 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 method.

The schemes expose the Company to actuarial risks such as longevity risk, interest rate risk and market (investment) risk.

GMP equalisation

Following the High Court ruling regarding the equalisation of Guaranteed Minimum Pension ('GMP') benefits within the Lloyds pension scheme on 26 October 2018, the Schemes are required to adjust benefits to remove the inequalities between GMP benefits awarded to males and females.

The Company has not previously included an allowance for the impact of GMP equalisation within its reported results. The estimated increase in liabilities due to GMP equalisation has therefore been recognised as a past service cost within the income statement.

The charge to the income statement for the Schemes in respect of GMP equalisation has been calculated by the Group's advisors.

The past service cost recognised in respect of GMP equalisation for the Schemes is £0.6 million.

Pension Increase Exchange (PIE) exercise

In November 2018, members of the defined benefit pension scheme were offered the option of participating in a pension increase exchange (PIE). This enabled members the option of taking a higher pension now, in exchange for future increases being reduced to 75% of what they would otherwise have been. This has been recognised as a past service cost through the income statement. Fees of £0.2 million were incurred to implement this change, including the independent legal advice offered to members. The net impact of £1.4 million is considered to be one-off in nature and is therefore presented as an adjusted item.

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Below is an outline of the risks, what they are and how the Group mitigates those risks.

Risk	Description	Mitigation
Volatile asset returns	<p>The Defined Benefit Obligation (DBO) is calculated using a discount rate set with reference to AA corporate bond yields; asset returns that differ from the discount rate will create an element of volatility in the solvency ratio. The UK Pension Schemes hold a proportion in growth assets, though this was reduced over the year.</p> <p>After the implementation of the new investment strategies, only the Staff Scheme has an allocation to a global synthetic equity mandate (13% of assets, representing a target exposure of c31%). There is a strategic allocation of 24% to diversified growth funds for both Schemes.</p> <p>Although these growth assets are expected to outperform corporate bonds in the long term, they can lead to volatility and mismatching risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate give the UK Pension Schemes' long-term objectives.</p>	<p>Over the year the Company and Trustee reduced the allocation to growth assets, increasing the allocations to bond and bond-like assets. As at the end of the year, the Staff Scheme had an allocation to bond and bond-like assets of 63% (increased from 35%) and the Executive Scheme had an allocation to bond and bond-like assets of 76% (increased from 41%)</p> <p>As part of this, the Trustee and Company introduced a leveraged liability driven investment portfolio with formal interest rate and inflation hedge ratios (c.56% and c.55% on a technical provisions basis for the Staff and Executive Schemes respectively). This is designed to reduce funding level volatility by investing in assets which more closely match the characteristics of the liabilities.</p>
Changes in bond yields	<p>A decrease in corporate bond yields will increase the present value placed on the DBO for accounting purposes, although this will be partially offset by an increase in the value of the UK Pension Fund's bond holdings.</p>	<p>The UK Pension Fund holds a proportion of its assets (around 35%) in bonds, which provide a hedge against falling bond yields (falling yields which increase the DBO will also increase the value of the bond assets). Note that there are some differences in the credit quality of bonds held by the UK Pension Fund and the bonds analysed to decide the DBO discount rate, such that there remains some risk should yields on different quality bond/ swap assets diverge.</p>
Inflation risk	<p>A significant proportion of the DBO is indexed in line with price inflation (specifically inflation in the UK Retail Price Index) and higher inflation will lead to higher liabilities (although, in most cases, this is capped at an annual increase of 5%).</p>	<p>The UK Pension Fund holds some inflation-linked assets which provide a hedge against higher-than-expected inflation increases on the DBO.</p>
Life expectancy	<p>The majority of the UK Pension Fund's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.</p>	

Other Risks: There are a number of other risks of running the UK Pension Fund including operational risks (such as paying out the wrong benefits) and legislative risks (such as the government increasing the burden on pension through new legislation).

The IAS 19 valuation conducted for the period ending 30 March 2019 disclosed a net defined pension deficit of £24.9 million (2018: £37.7 million).

The major assumptions used in the updated actuarial valuations were:

	30 March 2019	24 March 2018
Discount rate	2.6%	2.7%
Inflation rate – RPI	3.2%	3.1%
Inflation rate – CPI	2.1%	2.0%
Future pension increases	3.1%	3.0%
Male life expectancy at age 65	21.3 years	22.0 years
Male life expectancy at age 65 (currently aged 45)	22.6 years	23.3 years
Female life expectancy at age 65	23.5 years	24.1 years
Female life expectancy at age 65 (currently aged 45)	25.0 years	25.7 years

1. Following the closure of the Scheme to future benefit accrual, a salary increase assumption is not required.

The mortality assumptions used are the SAPS tables published by the CMI allowing for future improvements in line with the CMI 2018 projections with a long term annual rate of improvement of 1.25 per cent and a core smoothing factor of 7. Weighted averages across both schemes are shown above.

In the current year the Company's basis for setting the discount rate has been amended to a 'single agency' yield curve approach. Under this approach the yield curve is based on a AA 'universe' including bonds that receive at least one AA rating from the main ratings agencies (i.e. a 'single agency' approach) and a bootstrapping method to extrapolate the curve at the longer end. Logarithmic regression has been used to find the best fitting yield curve for the spot yields calculated from the bond data.

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%	-7.5 / +7.7
Rate of RPI inflation	+/- 0.1%	+5.1 / -7.3
Rate of CPI inflation	+/- 0.1%	+3.1 / -2.9
Life expectancy (age 65)	+ 1 year	+ 15.0
Discount rate	+/- 0.5%	-35.5 / +40.7
Rate of RPI inflation	+/- 0.5%	+32.5 / - 29.5

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:

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 £ million
Running costs	3.3	3.4
Past service costs in respect of GMP equalisation (see note 6 – adjusted items)	0.6	–
Past service credit in respect of PIE (see note 6 – adjusted items)	(1.6)	–
Net interest on liabilities/return on assets	0.9	2.0
	3.2	5.4

Running costs are included in 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 30 March 2019 is a gain of £1.6 million (2018: a gain of £36.0 million).

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

	30 March 2019 £ million	24 March 2018 £ million
Present value of defined benefit obligations	388.6	389.2
Fair value of schemes' assets	(363.7)	(351.5)
Liability recognised in balance sheet	24.9	37.7

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

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 £ million
At beginning of period	389.2	409.7
Past service cost in respect of GMP equalisation	0.6	–
Past service cost in respect of PIE	(1.6)	–
Interest expense	10.3	10.7
Actuarial (gains)/losses arising from changes in demographic assumptions	(9.0)	6.1
Actuarial losses/(gains) arising from changes in financial assumptions	15.8	(5.4)
Experience gains on liabilities	–	(20.2)
Benefits paid	(16.7)	(11.7)
At end of period	388.6	389.2

Movements in the fair value of schemes' assets were as follows:

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 £ million
At beginning of period	351.5	329.6
Interest income	9.4	8.7
Scheme administration expenses	(3.3)	(3.4)
Return on scheme assets excluding interest income	8.4	16.5
Company contributions	14.4	11.8
Benefits paid	(16.7)	(11.7)
At end of period	363.7	351.5

The major categories of scheme assets are as follows:

	30 March 2019 £ million	30 March 2019 £ million	24 March 2018 £ million	24 March 2018 £ 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	–	–	41.6	–
Overseas equities	299	–	22.9	–
Corporate bonds	126.3	–	67.6	–
Index-linked government bonds	86.3	–	44.4	–
Government bonds	30.7	–	20.1	–
Diversified growth funds	79.1	–	82.7	–
Cash and cash equivalents	11.4	–	72.2	–
	363.7	–	351.5	–

The percentage split of the scheme assets between sterling & non-sterling are as follows as at 30 March 2019:

	Sterling	Non-sterling
Overseas equities	100%	–
Corporate bonds	100%	–
Secured Finance	100%	–
Liability driven investments	100%	–
Diversified growth funds	74%	26%
Cash and cash equivalents	100%	–

The schemes' 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 Company is committed to paying into each scheme for future years, these amounts are outlined on the below Schedule of Contributions:

Exec Scheme year ending March	Amount	Staff Scheme year ending March	Amount
2020	£2.35 million	2020	£9.05 million
2021	£2.73 million	2021	£10.47 million
2022	£3.16 million	2022	£12.14 million
2023	£3.39 million	2023	£13.09 million

The schemes are funded by the Company. Funding of the schemes 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 30 March 2019 is approximately 20 years (2018: 22 years).

The defined benefit obligation at 24 March 2018 can be approximately attributed to the scheme members as follows:

- Active members: 0% (2018: 0%)
- Deferred members: 69% (2018: 66%)
- Pensioner members: 31% (2018: 34%)

All benefits are vested at 30 March 2019 (unchanged from 24 March 2018).

32. Related party transactions

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

	Sales of goods £ million	Purchases of goods £ million	Amounts owed by related parties £ million	Amounts owed to related parties £ million
53 weeks ended 30 March 2019				
Joint ventures	1.4	–	2.1	–
52 weeks ended 24 March 2018				
Joint ventures	6.4	–	1.8	–

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. The amounts shown above have been shown gross and a provision of £1.1 million (2018: £0.9 million) has been made for doubtful debts.

Notes to the consolidated financial statements

continued

The joint venture in China was fully disposed of on 20 December 2017. As part of the disposal a loan of £0.9 million and gross trade receivables of £0.5 million were written off against a provision of the same amount.

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 59 to 64.

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 £ million
Short-term employee benefits	4.6	3.5
Post-employment benefits	0.3	0.3
Compensation for loss of office	0.1	0.3
	5.0	4.1

Mothercare Pension scheme

Details of other transactions and balances held with the two pension schemes are set out in note 31.

Other transactions with key management personnel

There were no other transactions with key management personnel.

33. Events after the balance sheet date

On 13 May 2019, the disposal of ELC to TEAL Brands Limited was completed, and the deferred disposal consideration of £5.5 million was received (see note 10). On the same date, a Curated Wholesale Agreement was entered into with TEAL Brands Limited.

In April 2019, the sale of the two held for sale freehold properties was completed, for consideration of £0.5 million.

Since the year end date, a further 15 stores within the UK store estate have been closed as part of the Group's closure programme; this has brought the total UK estate to 79 stores.

34. Reconciliation of prior year comparative results

The table below shows a reconciliation of the income statement from the published year end March 2018 financial statements to the restated amounts shown for the current year.

	Before adjusted items				Adjusted items			
	As previously stated 24 March 2018 £ million	Restated for foreign exchange ¹ £ million	Restatement for discontinued operations ³ £ million	As restated at 24 March 2018 £ million	As previously stated 24 March 2018 £ million	Restated for foreign exchange and interest ² £ million	Restatement for discontinued operations ³ £ million	As restated at 24 March 2018 £ million
Revenue	654.5	–	(73.9)	580.6	–	–	–	–
Cost of sales	(610.5)	(91)	50.3	(569.3)	(10.0)	91	1.0	0.1
Gross profit	44.0	(91)	(23.6)	11.3	(10.0)	91	1.0	0.1
Administrative expenses	(37.7)	–	0.9	(36.8)	(65.1)	0.2	–	(64.9)
Loss from operations	6.3	(91)	(22.7)	(25.5)	(75.1)	9.3	1.0	(64.8)
Net finance costs	(4.0)	–	0.5	(3.5)	–	(0.2)	–	(0.2)
Loss before taxation	2.3	(91)	(22.2)	(29.0)	(75.1)	9.1	1.0	(65.0)
Loss before taxation and foreign currency revaluations	2.3	–	(24.9)	(22.6)	(68.0)	–	0.9	(67.1)
Foreign currency adjustments	–	(91)	2.7	(6.4)	(7.1)	9.1	0.1	2.1
Loss before taxation	2.3	(91)	(22.2)	(29.0)	(75.1)	9.1	1.0	(65.0)
Taxation	(3.6)	0.6	4.3	1.3	0.3	(0.6)	–	(0.3)
Loss for the period from continuing operations	(1.3)	(8.5)	(17.9)	(27.7)	(74.8)	8.5	1.0	(65.3)
Discontinued operations								
Profit and loss for the year from discontinued operations			17.9	17.9			(1.0)	(1.0)
Loss for the period attributable to equity holders of the period	(1.3)	(8.5)	–	(9.8)	(74.8)	8.5	–	(66.3)

1. Adjusted items in 2018 have been restated for the treatment of foreign exchange differences on the revaluation of working capital.

2. Interest classified as adjusted has been reclassified from administrative expenses to net finance costs.

3. Discontinued operations are disclosed in note 10. Included in the £50.3 million cost of sales figure is a charge of £27 million relating to foreign currency adjustments. This is disclosed on two different lines in note 10; expenses of £47.6 million and foreign currency adjustments of £2.7 million.

Company financial statements

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Company balance sheet

As at 30 March 2019

	Note	30 March 2019 £ million	24 March 2018 £ million
Fixed assets			
Investments in subsidiary undertakings	3	291	78.2
		291	78.2
Current assets			
Debtors – amounts falling due within one year	4	0.3	156.1
Cash and cash equivalents		11.8	–
		12.1	156.1
Creditors – amounts falling due within one year	5	(194.3)	(156.3)
Net current liabilities		(182.2)	(0.2)
Total assets less current liabilities		(153.1)	78.0
Creditors – amounts falling due after more than one year	5	(11.7)	(42.5)
Net (liabilities)/assets		(164.8)	35.5
Equity			
Called up share capital	6	87.1	85.4
Share premium	7	88.9	61.0
Own shares	7	(1.1)	(1.1)
Profit and loss account	7	(339.7)	(109.8)
Total Equity		(164.8)	35.5

For the 53 weeks ended 30 March 2019

The Company has taken advantage of the disclosure exemption permitted by s208 of the Companies Act 2006 and has not produced a profit and loss account. The Company reported a loss for the financial period ended 30 March 2019 of £229.9 million (2018: loss of £174.8 million).

Approved by the board on 24 May 2019 and signed on its behalf by:



Glyn Hughes
Chief Financial Officer

Company Registration Number: 1950509

Company statement of changes in equity

	Note	Share capital £ million	Share premium account £ million	Own share reserve £ million	Profit and loss account £ million	Total £ million
Balance at 26 March 2017		85.4	61.0	(1.5)	65.5	210.4
Loss for the period		–	–	–	(174.8)	(174.8)
Other comprehensive income for the period		–	–	–	–	–
Total comprehensive income for the period		–	–	–	(174.8)	(174.8)
Shares transferred to employees		–	–	0.4	(0.4)	–
Capital contribution for equity-settled share based payments		–	–	–	(0.1)	(0.1)
Balance at 24 March 2018		85.4	61.0	(1.1)	(109.8)	35.5
Balance at 25 March 2018		85.4	61.0	(1.1)	(109.8)	35.5
Loss for the period	7	–	–	–	(229.9)	(229.9)
Other comprehensive income for the period		–	–	–	–	–
Total comprehensive income for the period		–	–	–	(229.9)	(229.9)
Issue of shares	6	1.7	30.8	–	–	32.5
Expenses of issue of new shares	6	–	(2.9)	–	–	(2.9)
Balance at 30 March 2019		87.1	88.9	(1.1)	(339.7)	(164.8)

Notes to the company financial statements

General information

Mothercare plc is a public company limited by shares incorporated in Great Britain under the Companies Act 2006. The address of the registered office is given in the shareholder information on page 147. Mothercare plc acts as a holding company for a group of companies operating as a specialist multi-channel retailer, franchisor and wholesaler of products for mothers-to-be and children under the Mothercare brand.

1. Significant accounting policies

The Company's accounting period covers the 53 weeks ended 30 March 2019. The comparative period covered the 52 weeks ended 24 March 2018.

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council (FRC). Accordingly these financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the FRC.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemption available under the standard in relation to share-based payments presentation of comparative information in respect of certain assets, capital management, certain revenue requirements of IFRS 15, the presentation of a cash flow statement, standards not yet effective and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

Principal risks and uncertainties

Going concern

The financial statements have been prepared on the historical cost basis and on the going concern basis, as described in the going concern statement in the Financial Review on page 27. The Directors have reviewed the latest forecasts and projections which have been sensitivity tested for reasonably possible adverse variations in performance. These are outlined in the Viability Statement on pages 28 to 29.

If the risk and sensitivities applied in our Reasonable Worst Case ("RWC") forecast, or a more significant and prolonged decline in trading performance were to materialise, beyond that seen in 2019, and the Group were not able to execute further cost or cash management programmes the Group would breach its fixed charge covenant on its existing banking facilities and at certain points of the working capital cycle have insufficient headroom against existing facility limits. If this scenario were to crystallise the Group would need to renegotiate with its relationship banks in order to secure additional funding and a reset of covenants. Therefore, we have concluded that, under the RWC, there is a material uncertainty that casts significant doubt that the Group will be able to operate as a going concern.

Notwithstanding this material uncertainty, the Board's confidence in the Group's Base Case forecast, which indicates the Group will operate within the terms of its committed borrowing facilities and covenants for the foreseeable future, and the Group's proven cash management capability supports our preparation of the financial statements on a going concern basis.

Interest rate risk

The principal interest rate risk of the Company arises in respect of the drawdown of the revolving credit facility. This facility is at a fixed rate plus LIBOR, it exposes the Company to cashflow interest rate risk. The interest exposure is monitored by management but due to low interest rate levels during the period the risk is believed to be minimal and no interest rate hedging has been undertaken.

Credit risk

The Company has exposure to credit risk inherent in its receivables due from its subsidiary undertakings.

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 and Company'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 of the consolidated financial statements is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

As referred to in the Financial Review on pages 20 to 29 the Group initiated financing discussions with its lenders in January 2018 and as part of this, they agreed to defer the testing of financial covenants due on 24 March 2018. In May 2018 the Companies two existing banks, HSBC and Barclays, agreed to provide a revolving credit facility of £675 million comprising two tranches. Tranche A is £50.0 million stepping down to £30.0 million in September 2020 with final maturity in December 2020. Tranche B was £175 million and matured in November 2018, at which point an overdraft of £5.0 million became uncommitted outside of the revolving credit facility.

Notes to the company financial statements

continued

Critical accounting judgements

The preparation of the Company financial statements requires management to make judgements, estimates and assumptions in applying the Company's accounting policies to determine the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to accounting estimates applied prospectively.

Critical judgements represent key decisions made by management in the application of the Group accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a critical accounting estimate. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

Impairment of assets

The Group reviews the carrying value of assets 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 asset; a decline in the market value for the asset; and an adverse change in the business or market in which the asset is involved. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are 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, and the impact of Brexit, 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.

Key sources of estimation uncertainty

Allowances against the carrying value of investment in subsidiaries

The financial statements have been prepared on the historical cost basis except for the re measurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment. The recoverable amounts of individual investments in subsidiaries 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 rate and growth rates. Management has used a pre-tax discount rate of 12.6% (2018:10.7%) which reflects the time value of money and risks related to the cash generating units. As a result a provision for impairment of £491 million has been charged in the year (2018: £1671 million).

Cash flow projections are based on the Group's four year internal forecasts, the results of which are reviewed by the Board. Estimates of selling prices and direct costs are based on past experience, expectations of future changes in the market and historic trends. The forecasts are extrapolated beyond four years based on long-term average growth rate of 0%. Bringing the terminal growth rate to 1% / (1)% would result in a £3.5 million increase in/ reduction of cashflows.

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 53 weeks ended 30 March 2019 was £2299 million (2018: loss of £174.8 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 subsidiaries, all of which are wholly owned, are included in note 12 of the Group financial statements.

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

	30 March 2019 £ million	24 March 2018 £ million
Investment in subsidiaries - net book value	291	78.2
		£ million
Cost		
At 25 March 2018		453.1
Addition		–
Share-based payments to employees of subsidiaries		–
At 30 March 2019		453.1
Impairment		
At 25 March 2018		(374.9)
Charged during the period		(49.1)
At 30 March 2019		(424.0)
Net book value		291

On 22 March 2019 the Company agreed to sell of the trading activities of the Early Learning Centre (ELC) to Teal Brands Limited (see note 10). As a consequence all the residual investment in ELC has now been fully impaired.

The recoverable amounts of individual investments in the Mothercare subsidiaries 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 rate and growth rates. Management has used a pre-tax discount rate of 12.6% (2018: 10.7%) which reflects the time value of money and risks related to the cash generating units. The cash flow projections are based on the financial budgets and forecasts approved by the Board covering a five year period. No growth rate has been applied.

As a result an impairment charge of £49.1 million was charged during the period against the Mothercare and the Early Learning Centre subsidiaries.

4. Debtors

	30 March 2019 £ million	24 March 2018 £ million
Amounts due from subsidiary undertakings	–	155.7
Other debtors	0.3	0.4
	0.3	156.1

Amounts due from subsidiary undertakings are recognised at fair value and repayable on demand. No interest is charged on the outstanding balances.

Notes to the company financial statements

continued

5. Creditors

	30 March 2019 £ million	24 March 2018 £ million
Creditors: amounts due within one year		
Amounts due to subsidiary undertakings	176.5	146.7
Borrowings and bank overdraft (secured)	11.5	8.8
Derivative financial instruments	4.8	-
Accruals and other creditors	1.5	0.8
	194.3	156.3

Creditors: amounts due after one year

Borrowings and bank overdraft (secured)	5.5	42.5
Shareholder loan	6.2	-
	11.7	42.5

Amounts due to subsidiary undertakings are repayable on demand. No interest is payable on the outstanding balances.

In May 2018 the Companies two existing banks, HSBC and Barclays, agreed to provide a revolving credit facility of £675 million comprising two tranches. Tranche A is £50.0 million stepping down to £30.0 million in September 2020 with final maturity in December 2020. Tranche B was £175 million and matured in November 2018, at which point an overdraft of £5.0 million became uncommitted outside of the revolving credit facility.

The Company has also raised shareholder loans of £8.0 million during the period. As the shareholder loans provide an opportunity to convert the loans into ordinary shares of the Company at specified dates it is accounted for at amortised cost (£6.2 million at 30 March 2019), and the option to convert is fair valued and treated as an embedded derivative (see note 22). The shareholder loans attract a monthly compound interest rate of 0.83%.

The revolving credit facility is secured on the shares of specified obligor subsidiaries and the assets of the group not already pledged.

6. Called up share capital

	53 weeks ended 30 March 2019 Number of shares	52 weeks ended 24 March 2018 Number of Shares	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 £ million
Issued and fully paid				
Ordinary shares of 50 pence each				
Balance at beginning of period	170,871,885	170,867,497	85.4	85.4
Issued under the Mothercare Sharesave Scheme	-	4,388	-	-
Conversion of shares to 1 pence ordinary and 49 pence deferred shares	(170,871,885)	-	(85.4)	-
Balance at end of period	-	170,871,885	-	85.4
Ordinary shares of 1 pence each				
Balance at beginning of period	-	-	-	-
Conversion from ordinary shares of 50 pence	170,871,885	-	1.7	-
Issue of shares in the period	170,871,885	-	1.7	-
Balance at the end of period	341,743,770	-	3.4	-
Deferred shares of 49 pence each				
Balance at beginning of period	-	-	-	-
Conversion of shares from ordinary shares	170,871,885	-	83.7	-
Balance at end of period	170,871,885	-	83.7	-
Total share capital at end of period			87.1	85.4

On 27 July 2018 Mothercare plc subdivided its existing 170,871,885 ordinary shares of 50 pence into 170,871,885 ordinary shares of 1 pence and 170,871,885 deferred shares of 49 pence. The deferred shares do not carry any voting rights. On the same date, the Company issued a further 170,871,885 ordinary shares at 19 pence. This raised equity of £32.5 million, an increase in share capital of £1.7 million, and £27.9 million in share premium (after expenses of £2.9 million).

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

7. Reserves

	Share premium £ million	Own shares £ million	Profit and loss account £ million
Balance at 25 March 2018	61.0	(1.1)	(109.8)
Issue of new shares	30.8	–	–
Share issue expenses	(2.9)	–	–
Loss for the financial year	–	–	(229.9)
Balance at 30 March 2019	88.9	(1.1)	(339.7)

The own shares reserve of £1.1 million (2018: £1.1 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 994,008 (2018: 1,019,693) with a market value at 30 March 2019 of £0.2 million (2018: £0.2 million).

The Company has no distributable reserves and has made no distribution during this or the prior year.

8. Events after the balance sheet date

Details on events after the balance sheet date are shown in note 33 to the consolidated financial statements.

Five year record

(unaudited)

	2019 £ million	2018 ³ £ million	2017 £ million	2016 £ million	2015 £ million
Summary of consolidated income statements					
Revenue	513.8	580.6	667.4	682.3	713.9
Adjusted ¹ (loss)/profit from operations before interest	(13.1)	(25.5)	23.0	22.8	18.0
Adjusted ² items	(48.2)	(65.0)	(12.6)	(99)	(24.6)
Interest (not including adjusted items)	(5.3)	(3.5)	(3.3)	(3.2)	(6.5)
(Loss)/profit before taxation	(66.6)	(94.0)	7.1	9.7	(13.1)
Taxation	(0.9)	1.0	1.1	(3.3)	(2.3)
Loss from continuing operations	(67.5)	(93.0)	8.2	6.4	(15.4)
Discontinued operations	(25.9)	16.9	–	–	–
(Loss)/profit for the financial year	(93.4)	(76.1)	8.2	6.4	(15.4)
Basic (losses)/earnings per share - continuing	(7.1p)	(38.4p)	4.8p	3.8p	(12.6p)
Basic adjusted (losses)/earnings per share-continuing	(23.8p)	(54.7p)	9.7p	9.6p	8.6p
Summary of consolidated balance sheets					
Deferred tax asset	–	3.6	24.8	20.3	23.6
Other non-current assets	44.0	121.5	144.8	123.5	109.6
Net current assets	(5.6)	17.2	42.0	57.8	64.1
Retirement benefit obligations	(24.9)	(37.7)	(80.1)	(74.4)	(81.2)
Other non-current liabilities	(62.9)	(100.0)	(50.1)	(38.1)	(38.4)
Total net (liabilities)/assets	(49.4)	4.6	81.4	89.1	77.7
Other key statistics					
Share price at year end	22.5p	17.5p	118.5p	180.0	206.5p
Net (debt) cash/equity	(14.0%)	(89.1%)	(19.5%)	15.0%	40.5%
Number of issued shares	341,743,770	170,871,885	170,867,497	170,863,741	170,469,020
Capital expenditure	12.3	18.1	42.6	39.2	12.7
Depreciation and amortisation	20.2	22.1	19.9	18.3	17.7
Rents	26.0	40.8	42.8	44.6	48.2
Number of UK stores ⁴	93	134	152	170	189
Number of International stores	1,010	932	1,150	1,142	1,121
UK selling space (000's sq.ft.)	1,024	1,300	1,462	1,552	1,658
International selling space (000's sq.ft.)	2,601	2,503	2,946	2,921	2,776
Average number of employees	3,752	4,689	5,211	5,346	5,433
Average number of full time equivalents	2,189	2,767	3,099	3,153	3,304

1 Before items described in note 2 below.

2 Includes adjusted items (property costs, restructuring costs, impairment charges) and other adjusted items of amortisation of intangible assets (excluding software) and the impact of foreign currency adjustments under IAS 39 and IAS 21 as set out in note 6 to the consolidated financial statements.

3. 2018 has been restated for the discontinued operations of ELC. The prior years remain unchanged.

4. As at 30 March 2019.

Alternative Performance Measures (APMs)

Introduction

In the reporting of financial information, the Directors have adopted various APMs of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS). These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry.

APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

Purpose

The Directors believe that these APMs assist in providing additional useful information on the performance and position of the Group and across the period because it is consistent with how business performance is reported to the Board and Operating Board.

APMs are also used to enhance the comparability of information between reporting periods and geographical units (such as like-for-like sales), by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the Group's performance.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes and have remained consistent with prior year, except where expressly stated.

The key APMs that the Group has focused on during the period are as follows:

Group worldwide sales

Group worldwide sales are total International sales plus total UK sales. Total International sales are International retail sales plus International Wholesale sales. Total Group revenue is a statutory number and is made up of total UK sales and receipts from International franchise partners, which includes royalty payments and the cost of goods dispatched to international franchise partners.

Like-for-like sales

This is a widely used indicator of a retailer's current trading performance. This is defined as sales from stores that have been trading continuously from the same selling space for at least a year and include website sales and sales taken on iPads in store.

International retail sales

International retail sales are the estimated retail sales of overseas franchise and joint venture partners to their customers.

International like-for-like sales

International like-for-like sales are the estimated franchisee retail sales from stores that have been trading continuously from the same selling space for at least a year. The Group reports some financial measures on both a reported and constant currency basis. Sales in constant currency exclude the impact of movements in foreign exchange translation. The constant currency basis retranslates the previous year revenues at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the year-on-year reported results.

Profit/(loss) before adjusted items

The Group's policy is to exclude items that are considered to be one-off and significant in both nature and/or value and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group.

Profit/(loss) before taxation and foreign currency revaluations

The Group has introduced a new measure this year which is profit/(loss) before taxation and foreign currency revaluations on the basis that foreign currency differences on the revaluation of foreign currency denominated cash and debtor balances, albeit recurring, are significant in size, volatile and distort the underlying performance of the Group.

Adjusted free cash flow

This is the adjusted measure of cash flow for the Group. This is based on the adjusted performance excluding the impact of adjusted items. The presentation of adjusted free cash flow differs from the statutory cash flow statement, which is based on the statutory performance for the Group.

Five year record

continued

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 Restated* £ million
Adjusted loss before taxation and foreign currency revaluations – continuing operations	(20.4)	(22.6)
Adjusted profit before taxation and foreign currency revaluations – discontinued operations (note 10)	8.8	24.9
Adjusted total loss before taxation and foreign currency revaluations	(11.6)	2.3
Foreign currency revaluation adjustments – continuing operations	2.0	(6.4)
Foreign currency revaluation adjustments – discontinued operations (note 10)	1.0	(2.7)
Adjusted total loss before taxation	(8.6)	(6.8)

* The prior year has been restated for the reclassification of ELC discontinued operations (note 10).

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 Restated* £ million
Segment profit – International (note 5)	295	25.4
Less:		
Foreign currency revaluation (gain)/loss – continuing operations	(1.2)	3.4
Adjusted International profit before taxation and foreign currency revaluations	28.3	28.8

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 Restated* £ million
Segment loss – UK (note 5)	(35.5)	(43.4)
Less:		
Foreign currency revaluation (gain)/loss – continuing operations	(0.8)	3.0
Adjusted UK loss before taxation and foreign currency revaluations	(36.3)	(40.4)

* The prior year has been restated for the reclassification of ELC discontinued operations (note 10).

Reconciliation of foreign exchange currency revaluations to adjusted income statement:

	53 weeks ended 30 March 2019 £ million	52 weeks ended 24 March 2018 Restated* £ million
International segment foreign currency revaluation (gain)/loss – continuing operations	(1.2)	3.4
UK segment foreign currency revaluation (gain)/loss – continuing operations	(0.8)	3.0
Total foreign currency revaluations (gains)/losses	(2.0)	6.4

* The prior year has been restated for the reclassification of ELC discontinued operations (note 10).

Shareholder information

(unaudited)

Shareholder analysis

A summary of holdings as at 30 March 2019 is as follows:

	Mothercare ordinary shares	
	Number of shares	Number of shareholders
Banks, insurance companies and pension funds	18,971	2
Nominee companies	335,576,588	288
Other corporate holders	1,327,775	74
Individuals	4,820,436	18,800
	341,743,770	19,164

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

	2019	2018
Share price at 30 March 2019 (24 March 2018)	22.5p	17.5p
Market capitalisation	£76.7m	£299m
Share price movement during the year:		
High	33.37p	132.00p
Low	13.88p	14.68p

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.

Placing and open offer

On 9 July 2018 the Company announced a proposed subdivision of shares (into 1p ordinary shares and 49p deferred shares) and a placing and open offer of 170,871,885 ordinary 1p shares on a 1 for 1 basis at 19p per ordinary share. Immediately before the placing and open offer, the issued share capital was 170,871,885. 170,871,885 new ordinary shares were issued on 27 July 2018. The total issued share capital immediately following the placing and open offer was 341,743,770.

Registrars and transfer office

Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

Financial calendar

	2019
Annual General Meeting	26 July
Announcement of interim results	November
	2020
Preliminary announcement of results for the 52 weeks ending 28 March 2020	May
Issue of report and accounts	June
Annual General Meeting	July

Registered office and head office

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

Group company secretary

Lynne Medini

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 5.30pm, Monday to Friday).

Shareholder information

continued

Stockbrokers

The Company's stockbrokers are:

finnCap Ltd, 60 New Broad Street, London, EC2M 1JJ
Telephone 020 7220 0500

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.

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