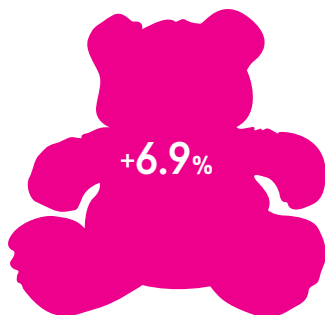


Overview

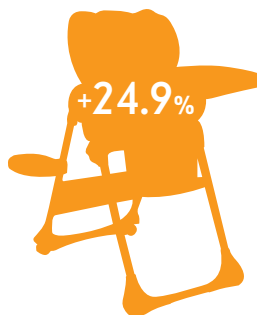
## Group performance highlights



Group sales up 6.9% to £723.6m (2008: £676.8m)



International franchisee retail sales up 40.9% to £404.2m (2008: £286.8m)



Direct in Home sales up 24.9%



Total stores worldwide



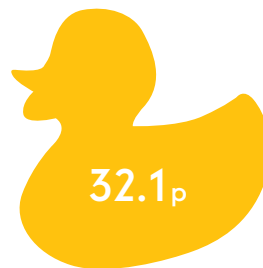
Group profit before taxation up to £42.2m (2008 proforma: loss of £2.6m)



Year end cash balance £24.8m (2008: £22.7m)



Total dividend 14.5p (2008: 12.0p)



Underlying basic earnings per share 32.1p (2008 proforma: 28.5p)

## Mothercare group at a glance



UK product breakdown



Sales breakdown £m



Number of stores



Online

## Our group

Mothercare plc is the proud owner of two iconic brands synonymous with parenting; Mothercare and the Early Learning Centre. It also owns 50 per cent of the internet social networking site, Gurple.com.

### The four levers for growth

- International franchise – globalisation of the two brands.
- Integration benefits – Early Learning Centre acquisition.
- Property portfolio – restructuring the UK property portfolio.
- Driving the multi-channel business.



+1.4%

Increase in UK sales  
per square foot

-15%

Reduction in  
fuel usage

+24.9%

Direct in  
Home sales  
£62.2m

115

New International  
franchise stores

## Mothercare

Mothercare is a specialist retailer of products for mothers-to-be, babies and children up to the age of eight. Mothercare offers a wide range of maternity and children’s clothing, furniture and home furnishings, bedding, feeding, bathing, travel equipment and toys through its retail and internet operations in the United Kingdom, and also operates internationally through retail franchises in Europe, the Middle East, Africa and the Far East under the Mothercare brand name.

## ELC

Early Learning Centre is a designer and retailer of toys and other children’s products primarily from birth to six year age range. Approximately 80 per cent of its toys and games range is own brand, designed and sourced through a state-of-the-art sourcing centre in Hong Kong. It also has a direct internet and catalogue business and operates a wholesale business, providing products to domestic and international customers.





# Chairman's statement

Ian R Peacock Chairman



**Mothercare and, increasingly, Early Learning Centre are becoming established as genuinely global brands.**

## Dear Fellow Investor

Last year's chairman's statement dealt principally with the progress our Company has made since 2002, a period during which we have turned the business around and set it firmly on the path to growth. This year I want to look forward and concentrate on our aspirations for the future.

Mothercare and increasingly Early Learning Centre (ELC) are becoming established as genuinely global brands. We are now represented in over 50 countries and there are more than 600 Mothercare and ELC stores outside the UK, well above the number in the UK. The scope for expansion remains substantial. We have over 40 stores in Greece and over 50 in Saudi Arabia, both medium sized countries in terms of population where we have strong, long standing franchisee relationships. In time, many other countries should be capable of supporting similar numbers of Mothercare and ELC stores. Even before we opened in India, the Mothercare name was widely recognised by a large section of the Indian population, both from travel in the Gulf region as well as family and friends in the UK. If we replicate our success in our established markets elsewhere – and currently we see no bar to our doing so – our international sales, and the value of our international business, will eventually dwarf those in the UK.

So far we have grown in the UK by owning our business and overseas by franchising to local organisations who know their markets. Our entry this year into China represented a break with this pattern and we are pleased with the result. We have chosen to invest alongside our partner, Goodbaby, thereby benefiting from more of the value added from a successful operation whilst still being able to rely on our partner's local knowledge. We envisage that we may engage in more joint ventures in future, though we will remain mindful of political, cultural and economic risks which attend international investment.

The UK is a mature market for us and our progress here is likely to concentrate on doing things better rather than doing a great deal more. Within this approach we believe that there are exciting opportunities for us in the

UK. We have invested in our internet business such that now our internet sales exceed £100 million and represent 18.5 per cent of UK sales; a strong business in its own right. There is clearly scope for us to roll out our Direct business internationally and we are looking at those options for 2009/10. We also have a joint venture in Gurgle.com, the social networking site that is growing fast. Its 91,000 or so registered users are based mainly in the UK and we also have a significant number of users in India and the USA.

As shopping habits change, so will the structure and look of our UK store estate. We have already put ELC inserts into 84 of our out of town stores; reduced the size of three of our largest stores to make them more profitable and consolidated 25 Mothercare and ELC sites into 'two for one' stores, closing 38 in town stores. As a result occupancy costs have reduced by 10.4 per cent from last year. We have a large number of leases terminating over the next few years which will enable us to further realign our UK property estate and to design stores which will delight our future customers.

We are aware of the risks associated with running our business during these challenging economic times and we are pleased that we have been able to generate operational cash flow and remain debt free, despite having acquired ELC in 2007. Our aim over the coming years is to exploit further the huge potential of the Mothercare and ELC brands, particularly internationally and to continue to do so in a controlled way.

We were pleased to welcome Richard Rivers to the board during the year. Richard brings a wealth of experience from his career in Unilever and has established himself as a valued colleague. The board and I should also like to thank Ben, his management team and all our staff for their support, dedication and hard work during what has been another successful year.

Ian R Peacock  
Chairman