Mothercare plc, the leading global specialist retailer for parents and young children, today announces half year results for the 28 week period to 6 October 2018.

Highlights for H1 FY18/19

- Group adjusted loss before taxation of £6.2 million (H1 FY17/18: loss of £2.6 million)
- Reduction in statutory Group loss before taxation to £14.4 million (H1 FY17/18: loss of £16.8 million)
- Net debt of £21.5 million (£44.1 million at 24 March 2018)
  - Reflecting the equity issue to raise £29.6m (net of fees) and seasonal working capital build
  - Tight management of working capital and capital expenditure
  - Further reduction in net debt to be achieved through agreed sale and leaseback of UK Head Office
- On track with strategic transformation plan to deliver at least £19 million of cost savings
  - UK store closure programme ahead of schedule
  - Commencement of product outsourcing initiatives
  - Creation of a leaner organisational structure
- International business showing signs of recovery
  - Constant currency retail sales down 2.0% (H1 FY17/18 down 7.7%); International reported sales down 10.6%
  - Growth in key markets of Russia, China and Indonesia
  - New partner in India, with long-term growth plan in place
- Continuation of difficult trading conditions in the UK
  - UK like-for-like sales decline of 11.1%, reflecting wider market uncertainty and negative brand coverage in connection with the Group's refinancing

	28 weeks to 06-Oct-18 £million	**28 weeks to 07-Oct-17 £million**	***% change vs. last year***
Group			
Worldwide sales[1]	566.1	627.9	(9.8)%
Total Group revenue	295.0	339.5	(13.1)%
Group adjusted EBITDA before foreign currency revaluations[3]	4.9	12.3	(60.3)%
Group adjusted loss before taxation	(6.2)	(2.6)	(138.5)%
Group adjusted loss before taxation and foreign currency revaluations[3]	(9.1)	(0.7)	-
Group loss before tax	(14.4)	(16.8)	14.3%
Net debt	(21.5)	(37.6)	42.9%
International			
International like-for-like sales[2]	(3.4)%	(8.0)%	-
International retail sales in constant currency	(2.0)%	(7.7)%	-
International retail sales in reported currency	(7.3)%	(1.7)%	-
Total International retail sales[1]	369.6	398.9	(7.3)%
Total International reported sales	98.8	110.5	(10.6)%
Adjusted International profit before taxation and foreign currency revaluations[3]	14.9	14.9	0.1%
UK			
UK like-for-like sales[2]	(11.1)%	2.5%	-
UK online sales	81.0	87.9	(7.8)%
Total UK sales	196.2	229.0	(14.3)%
Adjusted UK loss before taxation and foreign currency revaluations[3]	(17.6)	(9.6)	(83.3)%

See below for definitions for adjusted measures.

Notes

1 – Total International sales are International retail franchise partner sales to end customers 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 – 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 include 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 include online sales on a similar basis.

3 – Adjusted UK loss before taxation and foreign currency revaluations, adjusted International profit before taxation and foreign currency revaluations, Group adjusted EBITDA before foreign currency revaluations and Group adjusted loss before taxation and foreign currency revaluations refer to the equivalent measures of profit before adjusted items and foreign currency revaluations.

4 – 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.

5 – The information contained within this announcement is deemed by the Company to constitute inside information for the purposes of the Market Abuse Regulation (EU) No 596/2014. Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

6 – The person responsible for the release of this announcement is Lynne Medini, Group Company Secretary at Mothercare plc, Cherry Tree Road, Watford, Hertfordshire, WD24 6SH.

7 – Mothercare plc's Legal Entity Identifier ("LEI") number is 213800ZL6RPV9Z9GFO74

Mark Newton-Jones, CEO of Mothercare plc, commented:

"Over this period, we have continued our relentless focus to transform Mothercare into a business that has a sustainable and relevant future for its global customer base.

We have completed the capital restructuring of the business, the UK store closure programme is well underway and due for completion earlier than planned, we are making our sourcing operations more efficient and our cost-saving initiatives are well on schedule.

This momentum has allowed us to focus on revising the overall structure of the Group, something which will help drive a greater focus on becoming a stronger global brand, with improved product design, marketing and distribution of Mothercare products around the world. At the same time, in the UK, the team will be singularly focused on managing trading and operations, as a typical franchisee would, with the objective of bringing the UK business back to profitability.

Our International business is showing signs of recovery after a difficult few years and some core markets, including Russia, China and Indonesia, have moved into growth. The UK retail environment, however, remains very challenging and given the ongoing uncertainty with consumer confidence, alongside the short-term impacts of our operational changes and restructuring programme, we expect performance in the remainder of our financial year to remain volatile.

Thereafter we are confident that our strategy will ultimately reinvigorate the business and restore Mothercare as a leading global specialist for parents and young children."

Interim Executive Chairman's Statement

The Capital Refinancing Plan launched on 17 May, harnessing comprehensive support from trade partners, shareholders, lending banks, the pension fund and landlords alike, was successfully completed on 27 July and represented a sea change in the financial position of Mothercare.

These measures were necessary, notwithstanding the unavoidable impact upon many of the Group's employees, to resolve the acute cash-flow problems that were facing the Group upon my appointment on 19 April 2018.

In parallel, the executive management team have been working diligently on delivering the UK Restructuring plan, alongside a root and branch review led by Mark Newton-Jones, of every facet of the Mothercare business, as a catalyst to accelerate and improve the traction of the strategic initiatives introduced over the last four years.

Strategic Transformation Plan

As part of the refinancing arrangements, we committed to expediting all aspects of Mothercare's transformation, not just the store closures and rental reductions associated with the company voluntary arrangements for Mothercare UK Limited and Early Learning Centre Limited and the administration of Childrens World Limited. As a result of these actions:

- the store portfolio is expected to reduce to fewer than 80 stores by April 2019, three months ahead of target. A third of the store closure programme has already been completed, with the next phase of the programme commencing from 21 December. The closures will involve promotional activity and other initiatives honed from our learnings over the last six months, allowing us to maximise the value from each future store closure;

- the remaining store estate will include 32 stores with leases which expire within three years;

- the project to outsource our product sourcing capabilities, involving the closure of five overseas offices, is well progressed and is anticipated to yield additional margin benefits from Autumn 2019; and

- finally, on 31 October we commenced a formal collective consultation exercise with our colleagues at Head Office, with the objective of creating a leaner organisational structure designed to refocus our operating model around our global specialism and service, where we have many competitive advantages.

These measures alone should exceed our target of generating cost savings of a minimum of £19 million per annum from rent reductions, store costs and global central overheads.

Cash Sufficiency

The finance team, led by Glyn Hughes, has made excellent progress transforming the Group's cash and liquidity position. This has been made possible due to a combination of astute inventory and debtor management and an ongoing focus on isolating surplus assets to supplement the refinancing:

- net debt, at £21.5 million on 6 October, has more than halved from the levels seen at the March 2018 year-end;

- a significant year-on-year decrease in the UK pension schemes accounting deficits, at £18.6 million at 6 October 2018, with funding of the scheme based on a separate actuarial valuation liability of £139.4 million at 31 March 2017; and

- we have the ambition to pay down the Company's existing bank indebtedness in 2019.

The latter target will be assisted by the intended sale and leaseback of the Group's freehold Head Office premises in Watford, with an anticipated completion date in December, for a net cash consideration of approximately £14.5 million to BYM Capital Limited. The Head Office premises has a book value of £6.2m as at the interim balance sheet date. The transaction is expected to complete in December 2018.

Management and Board changes

When we announced the refinancing of the Group in 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.

The change process we initiated immediately thereafter will ultimately lead to a significant number of roles being made redundant across our previous organisational structure, affecting all colleagues and starting at the most senior levels. All key executives have agreed to a voluntary reduction to both contracted pension benefits and notice periods, and there will no longer be any employees with a notice period exceeding six months.

The cohesion between the PLC Board and the executive team is better than at any time in recent years and we have made significant progress in achieving the goals set at the time of the fundraising. Accordingly, I expect to be in a position to step-down to a Non-executive position within the next year.

On 21 November 2018, David Wood resigned from his position as Group Managing Director. On behalf of the Board I would like to thank David for his support in the operational restructuring of the UK and his efforts in overseeing the appointment of key UK executives to improve both in-store "customer-first" execution in the remaining UK estate, alongside kick-starting sustainable growth initiatives within our online offering.

Finally, following the completion of the restructuring process, we anticipate being in a position to reduce the total PLC Board cost by 25% next year and ultimately to a level commensurate with a small-cap company.

Trading

As detailed in the CEO statement below, the last 12 months have been challenging for Mothercare, particularly in the UK, and whilst subsequent financial instability has slowed our progress, this has not deterred our commitment to our transformation plan.

Future Strategy – Being a global business

We remain focused upon achieving our vision of being the leading global specialist retailer for parents and young children.

However until now, the Group has continued to centre its business on the UK market – from the way Mothercare is structured, to the way we develop our products, right down to how we allocate our resource. As a result of this, we have operated day-to-day as if we are a UK company with an international arm. Yet, the majority of our worldwide sales and all of our profit emanates from outside of the UK.

In order to grow the Mothercare brand on a truly global scale we recognise we must now recalibrate our approach and concentrate on being a global company.

To support this approach, we intend to operate the UK retail business with the rigour and discipline of a franchise, being singularly focused upon becoming economically viable on a standalone basis.

This represents a fundamental change to the way that the business has historically been run.

Outlook

We have now completed the capital restructuring of the Mothercare business, the store closure programme is underway and is due for completion earlier than planned, we are transitioning our sourcing operations, we are making changes to our organisational design and cost-saving initiatives are on schedule.

Given the ongoing uncertainty remaining with consumer confidence in the UK, alongside the short-term impacts of the operational changes and restructuring programme highlighted above, we expect our performance in FY2018/19 to remain volatile, though we remain comfortable with market expectations for full-year earnings.

We are confident that our strategy will ultimately reinvigorate the business and restore Mothercare as a leading global specialist for parents and young children.

Summary

On behalf of the Board, I would like to record our appreciation of the professionalism of our colleagues in continuing to run the business during this period of uncertainty.

Clive Whiley
Interim Executive Chairman

CEO Statement

International Performance

We have seen a recovery within our international business since H1 last year, with International retail sales declining by 2.0% in constant currency (H1 FY17/18 down 7.7%).

We supported the transaction to sell and then transfer our Indian franchise to Reliance Group, one of India's largest and most successful companies. In the short-term there will be some disruption to trade, as Reliance refocuses the business back to that of a full-price retailer. Reliance has ambitious plans for the Mothercare brand in India, both through store openings and developing online and we are confident they will be a strong franchise partner.

In a number of our key territories we see opportunities for more retail space, though the long-term growth driver will come from digital channels, which are under-utilised in a number of our key regions. Online sales in the period grew by 21.2% in constant currency (H1 FY17/18: +56.7%). Overall online sales mix across our international business is 4.1% (H1 FY17/18: 3.4%) which is significantly lower than the 44.9% mix we have in the UK.

We are now trading online in 26 of our 50 retail markets through a combination of Mothercare websites and shopping platforms such as Noon in the Middle East, and TMall and JD in China. We have opened new Mothercare web sites in Taiwan, Vietnam, Saudi and UAE during the period.

As part of the transformation plan, we have changed our global sourcing approach. We have partnered with a global sourcing company, WE Connor ("Connors"), to help secure new suppliers and drive lower cost prices. This is an important step in our transformation as we seek to reduce our overall central costs and has allowed us to close down our in-house sourcing operations overseas. The first season of production under this new arrangement will be Autumn 2019. The benefits from using Connors' buying scale will help support both our international and UK businesses.

UK Performance

The first half of the year has been particularly challenging for the UK business. This is set against a backdrop of a weakening consumer market, which was further compounded by the stresses Mothercare found itself in financially. The refinancing of the group, the CVA and the subsequent negative press coverage have affected the sales performance of the UK business and have suppressed customer footfall both online and in our UK stores. UK total sales declined by 14.3% and by 11.1% on a like-for-like basis (H1 FY17/18: +2.5%) with stores declining 13.8% and online down 7.8% (Online H1 FY17/18: +5.3%).

The majority of our supply base has continued to support the UK business and we are grateful for their support and goodwill throughout this difficult period. The reduction in supply from those that couldn't trade with us has affected our weekly sales, though towards the end of the period the supply of product reverted back to our normal levels of availability.

During the first half of the financial year, 20 stores were closed with a further four due for closure pre-Christmas trading. There remains 36 stores earmarked for closure and these will be closed from late December through to the end of March 2019. Our UK store estate will then be rationalised to fewer than 80 stores. Importantly, c.95% of the UK population will be within a drive time of approximately 45 minutes.

Online performance has been particularly hit by our decision to reduce the ELC toy offer by approximately 50%, a decision made based on the range becoming too geared to older children outside of our core market. The sales mix online in the period was 45% (H1 FY17/18: 42%), with in-store ordering on iPads contributing 42% of online sales (HY17/18: 42%), and sales on mobile are 88% of the remainder (H1 FY17/18: 86%) versus a UK average of 56%.

Margins have been under pressure during this period, with footfall and sales decreasing, leading to more discounts and promotions being used to stimulate customer interest and clear stocks. The UK trading margin rate has reduced by 320bps year-on-year. The control of stock has been well managed with UK stock holding 30% down on last year, representing a reduction of £27 million.

In product, we have adjusted our mix within the Good, Better and Best architecture in recognition of customers seeking out more value lines. We have seen a mix shift of 3% out of our 'Best' product lines and into 'Good' and 'Better'. We have taken this approach in both Clothing & Footwear and Home & Travel. We continue to push for more 'Exclusive to Mothercare' in our ranges to reinforce our specialist status.

Mark Newton-Jones
Chief Executive Officer

FINANCIAL REVIEW

RESULTS SUMMARY

Group adjusted loss before taxation was £6.2 million for the 28 weeks to 6 October 2018, (H1 FY2017/18: £2.6 million).

During the period the Directors introduced a new profit measure of Group adjusted loss before taxation and foreign currency revaluations (see note 2), to remove foreign exchange volatility from the underlying performance of the business. Group adjusted loss before taxation and foreign currency revaluations was £9.1 million, for the 28 weeks to 6 October 2018, (H1 FY2017/18: £0.7 million).

The Group recorded a pre-tax loss of £14.4 million (H1 FY2017/18: loss of £16.8 million) which included adjusted items of £8.2 million (H1 FY2017/18: £14.2 million).

Adjusted items are analysed below and include costs relating to announced activity on property and 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

	28 weeks to 6 October 2018 (Unaudited) £ million	28 weeks to 7 October 2017 (Unaudited) Restated* £ million	52 weeks to 24 March 2018 (Audited) Restated* £ million
Revenue	**295.0**	**339.5**	**654.5**
Adjusted loss from operations before interest and share based payments	**(4.1)**	**(0.9)**	**(2.9)**
Share based payments credit	1.0	0.2	0.1
Adjusted net finance costs	(3.1)	(1.9)	(4.0)
Adjusted loss before taxation	**(6.2)**	**(2.6)**	**(6.8)**
Adjusted (loss)/profit before taxation and foreign currency revaluations	***(9.1)***	***(0.7)***	***2.3***
Foreign currency revaluations[1] (note 2)	*2.9*	*(1.9)*	*(9.1)*
Adjusted loss before taxation	***(6.2)***	***(2.6)***	***(6.8)***
Adjusted costs	(8.4)	(15.6)	(67.1)
Non-cash foreign currency adjustments	0.5	1.9	2.0
Amortisation of intangible assets	(0.3)	(0.5)	(0.9)
Total adjusted items[2] (note 4)	**(8.2)**	**(14.2)**	**(66.0)**
Loss before taxation	**(14.4)**	**(16.8)**	**(72.8)**
Adjusted EPS – basic	(3.1)p	(0.9)p	(5.8)p
EPS – basic	(6.7)p	(8.5)p	(44.8)p

1. In the prior periods 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. *Adjusted items in the prior half and full year 2018 have been restated on a consistent basis for the treatment of foreign exchange differences on the revaluation of working capital (H1 FY2017/18: loss £1.9 million, FY2017/18: loss £9.1 million) and adjusted interest costs (H1 FY2017/18 £nil, FY2017/18 £0.2 million).

2. Adjusted results are consistent with how business performance is measured internally. Refer to adjusted items table in note 4 for further details.

See glossary for definitions.

Results by segment

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

Revenue	**28 weeks to 6 October 2018 (Unaudited) £ million**	28 weeks to 7 October 2017 (Unaudited) £ million	52 weeks to 24 March 2018 (Audited) £ million
International	98.8	110.5	216.9
UK	196.2	229.0	437.6
Total	**295.0**	**339.5**	**654.5**

Adjusted (loss)/profit before taxation and foreign currency revaluations	**28 weeks to 6 October 2018 (Unaudited) £ million**	28 weeks to 7 October 2017 (Unaudited) Restated* £ million	52 weeks to 24 March 2018 (Audited) Restated* £ million
International	14.9	14.9	33.6
UK	(17.6)	(9.6)	(19.8)
Corporate	(4.3)	(4.3)	(7.6)
Adjusted (loss)/profit from operations before interest, share based payments and foreign currency revaluations	**(7.0)**	**1.0**	**6.2**
Share based payments	1.0	0.2	0.1
Net finance costs	(3.1)	(1.9)	(4.0)
Adjusted (loss)/profit before taxation and foreign currency revaluations	**(9.1)**	**(0.7)**	**2.3**
Statutory loss before taxation [1]	**(14.4)**	**(16.8)**	**(72.8)**

* Adjusted items in the prior half and full year 2018 have been restated on a consistent basis for the treatment of foreign exchange differences on the revaluation of working capital (H1 FY2017/18: loss £1.9 million, FY2017/18: loss £9.1 million – see notes 2 and 4) and adjusted interest costs (H1 FY2017/18: £nil, FY2017/18: £0.2 million).

1. A breakdown of statutory loss by segment is shown in note 3 - Segmental information.

See glossary for definitions.

Segmental results

International retail sales in constant currency were down 2.0% where challenging economic conditions in some markets impacted performance. Growth across our key markets in Russia, China and Indonesia, was offset by underperformance in the Middle East, along with the sales impact from the transition to a new partner in India whilst they reset the margin structure in their business. Despite this decline in sales the International business has seen favourable movements in foreign exchange rates and made central cost savings as a result of last year's restructure, helping to maintain flat year-on-year International adjusted profit of £14.9 million.

UK like-for-like sales declined by 11.1% year-on-year, with Retail stores sales down by 13.8% and Online sales down by 7.8%. 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.

UK adjusted losses before taxation and foreign currency revaluations have increased year-on-year by £8.0 million to £17.6 million, due to falling sales but have been mitigated in part by cost savings throughout the business as a result of central costs savings following last year's restructure.

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 remained flat year-on-year year after absorbing costs incurred as part of the restructuring activity. There have however been significant additional costs incurred as part of the CVAs and restructuring activity included within adjusted items (note 4).

Reported sales and worldwide sales

	Reported sales				Worldwide sales			
	28 weeks ended 6 October 2018 Unaudited £ million	28 weeks ended 7 October 2017 Unaudited £ million	Year-on-year change %	52 weeks ended 24 March 2018 Audited £ million	28 weeks ended 6 October 2018 Unaudited £ million	28 weeks ended 7 October 2017 Unaudited £ million	Year-on-year change %	52 weeks ended 24 March 2018 Audited £ million
International retail sales*	93.5	104.8	(10.8)%	207.1	364.6	393.2	(7.3)%	715.5
International wholesale sales	5.3	5.7	(6.6)%	9.8	5.3	5.7	(6.6)%	9.8
Total International sales /worldwide sales	98.8	110.5	(10.6)%	216.9	369.9	398.9	(7.3)%	725.3
UK retail sales	180.5	210.6	(14.3)%	400.8	180.5	210.6	(14.3)%	400.8
UK wholesale sales	15.7	18.4	(14.7)%	36.8	15.7	18.4	(14.7)%	36.8
Total UK sales	196.2	229.0	(14.3)%	437.6	196.2	229.0	(14.3)%	437.6
Group sales/ Group worldwide sales	**295.0**	**339.5**	**(13.1)%**	**654.5**	**566.1**	**627.9**	**(9.8)%**	**1,162.9**

* International retail sales and Worldwide sales are estimated and unaudited. See glossary for definitions.

Analysis of worldwide sales movement

Worldwide sales	**£ million**
Sales for 28 weeks ended 7 October 2017	627.9
Currency impact	(21.5)
Proforma sales for 28 weeks ended 7 October 2017	606.4
Decrease in International like-for-like sales	(12.0)
Increase in International space	4.1
Decrease in UK like-for-like sales	(21.9)
Decrease in UK space	(8.1)
Decrease in Wholesale sales	(2.4)
Sales for 28 weeks ended 6 October 2018	**566.1**

See glossary for definitions.

Worldwide sales in the 28 weeks ended 6 October 2018 were lower by £61.8 million as a result of unfavourable currency impacts and a decline in both UK and International like-for-like sales.

International like-for-like sales were down due to continuing weakness in the Middle East and the transition to a new partner in India. This is partly offset by growth across our key markets in Russia, China and Indonesia.

UK like-for-like sales have fallen primarily due to lower footfall driven by a challenging retail environment, stock availability and negative brand coverage.

Analysis of profit movement

Adjusted loss before taxation and foreign currency revaluations	**£ million**
Adjusted loss before tax for 28 weeks ended 7 October 2017	(2.6)
Restatement of foreign currency losses on foreign currency revaluations (note 2)	1.9
Adjusted loss before tax for 28 weeks ended 7 October 2017 as previously stated	(0.7)
Currency impact	(0.9)
Constant currency adjusted loss before tax for 28 weeks ended 7 October 2017	(1.6)
Increase in International margins	0.9
UK sales and margin	(18.2)
UK new stores impact	(0.4)
Decrease in depreciation	0.3
Decrease in costs	9.9
Adjusted loss before taxation and foreign currency revaluations for 28 weeks ended 6 October 2018	**(9.1)**

See glossary for definitions.

On a constant currency basis (i.e. excluding the currency impact), adjusted loss before taxation and foreign currency revaluations increased from £1.6 million in the first half of last year to £9.1 million this year. This is driven by lower UK sales and margin, partly offset by reduced costs from store closures and rent savings.

Foreign exchange

The main exchange rates used to translate International sales are set out below:

	28 weeks ended 6 October 2018	28 weeks ended 7 October 2017	52 weeks ended 24 March 2018
Average:			
Russian rouble	**84.66**	75.02	76.34
Saudi riyal	**5.02**	4.84	4.93
Emirati dirham	**4.91**	4.74	4.85
Kuwaiti dinar	**0.40**	0.39	0.40
Indian rupee	**91.14**	83.35	85.10
Indonesian rupiah	**18,974**	17,215	17,731
Turkish lira	**6.48**	4.59	4.81
Closing:			
Russian rouble	**85.46**	77.11	80.33
Saudi riyal	**4.89**	5.02	5.23
Emirati dirham	**4.79**	4.92	5.12
Kuwaiti dinar	**0.40**	0.40	0.42
Indian rupee	**94.49**	87.48	90.70
Indonesian rupiah	**19,424**	18,051	19,179
Turkish lira	**7.89**	4.78	5.47

The principal currencies that impact the translation of International sales are the Russian rouble, Saudi riyal, Indian rupee, Indonesian rupiah and Turkish lira. The net effect of currency translation caused worldwide sales and adjusted loss to decrease by £21.5 million and £0.9 million respectively compared with H1 FY2017/18 as shown below:

	Worldwide Sales £ million	**Adjusted loss £ million**
Net effect of currency translation;		
Russian rouble	(8.1)	(0.4)
Saudi riyal	(1.7)	(0.1)
Emirati Dirham	(1.0)	(0.1)
Kuwaiti dinar	(0.6)	-
Indian rupee	(1.4)	(0.1)
Indonesian rupiah	(1.8)	(0.1)
Turkish lira	(3.4)	-
Other currencies	(3.5)	(0.1)
	(21.5)	**(0.9)**

See glossary for definitions.

In addition to the foreign currency translation exposure, the Group is also exposed to foreign exchange movements on certain of its transactions, principally movements in the US Dollar. Although these are largely hedged (approximately 75%), eventually the impact of GBP sterling appreciation or depreciation flows through to the cost of goods.

Share based payments

Adjusted loss before tax includes a share based payments credit of £1.0 million (H1 FY2017/18: £0.2 million) in relation to the Group's long-term incentive schemes. The credit is due to a change in the estimated number of shares that will vest.

Net finance costs and taxation

Net finance costs represent interest receivable on bank deposits, interest payable on borrowings and shareholder loans, the amortisation of costs relating to bank facility fees and the net interest charge on the liabilities/assets of the pension scheme (see note 5).

The tax charge comprises corporation taxes incurred and a deferred tax charge. The total tax charge was £1.2 million (H1 FY2017/18: credit of £2.3 million) – (see note 6).

Adjusted items

Adjusted loss before tax for the 28 weeks ending 6 October 2018 excludes the following adjusted items (see note 4):

- Store impairment and onerous lease charges (£5.3 million credit, H1 FY2017/18: £11.5 million charge);
- Cost associated with restructuring, redundancies and refinancing (£11.5 million, H1 FY2017/18: £1.5 million);
- Costs included in finance costs (£2.2 million including the fair value movement on the embedded derivatives in the shareholder loans of £1.8 million), (H1 FY2017/18: £0.2 million); and
- Non-cash foreign currency adjustments relating to the revaluation of outstanding forward contracts which have not yet been matched to the purchase of stock (£0.5 million credit, H1 FY2017/18: £1.9 million credit).

Earnings per share and dividend

Basic adjusted losses per share were 3.1 pence (H1 FY 2017/18: 0.9 pence) and statutory losses per share were 6.7 pence (H1 FY2017/18: 8.5 pence) – (see note 7).

The Board has concluded that given the refinancing of the business, the Company will not pay an interim dividend for 2018/19. The total dividend for the period is nil pence per share (H1 FY2017/18: nil pence per share).

Pensions

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

	28 weeks ending 6 October 2018 (Unaudited) £ million	28 weeks ending 7 October 2017 (Unaudited) £ million	52 weeks ending 24 March 2018 (Audited) £million
Income statement			
Running costs	(2.5)	(1.7)	(3.4)
Net interest on liabilities/return on assets	(0.5)	(1.1)	(2.0)
Net charge	(3.0)	(2.8)	(5.4)
Cash funding			
Regular contributions	(7.4)	(2.6)	(2.6)
Deficit contributions	(3.0)	(4.5)	(9.2)
Total cash funding	(10.4)	(7.1)	(11.8)
Balance sheet			
Fair value of schemes' assets	345.9	339.7	351.5
Present value of defined benefit obligations	(364.5)	(408.6)	(389.2)
Net liability	(18.6)	(68.9)	(37.7)

The regular contribution in H1 FY2018/19 of £7.4 million includes a one-off accelerated contribution of £4.6 million, predominantly brought forward from the second half of the year.

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.

	H1 FY2018/19	**H1 FY2017/18**	**H1 FY2018/19 Sensitivity**	**H1 FY2018/19 Impact on scheme liabilities £ million**
Discount rate	3.0%	2.7%	+/- 0.1%	-7.0/+6.8
Inflation – RPI	3.2%	3.2%	+/- 0.1%	+6.3/-4.6
Inflation - CPI	2.1%	2.1%	+/- 0.1%	+2.4/-3.1

Net Debt and Cash flow

Net debt of £21.5 million has reduced by £22.6 million since the year end mainly as a result of the equity raise of £29.6 million (net of fees).

Adjusted free cash flow (as defined in note 2) was an outflow of £4.0 million with adjusted cash generated from operations an inflow of £2.6 million. Statutory net cash outflows from operating activities (note 14) was £3.0 million compared with £9.5 million in H1 FY2017/18 mainly reflecting improvements in working capital.

Capital expenditure of £5.9 million (H1 FY2017/18: £12.4 million) mainly reflects spend on IT infrastructure and store development costs.

There was a working capital inflow of £15.4 million, reflecting lower inventory and payables driven by store closures and tighter buying, and lower receivables from a reduction in debt due from International franchise partners.

Cash outflows in respect of adjusted costs of £6.0 million mainly reflect cash spent on refinancing fees and store closure costs.

Net Debt and Cash flow (continued)

	28 weeks ended 6 October 2018 (Unaudited) £ million	28 weeks ended 7 October 2017 (Unaudited) £ million	52 weeks ended 24 March 2018 (Audited) £ million
Adjusted loss from operations before interest and share based payments	**(4.1)**	(0.9)	(2.9)
Depreciation and amortisation	**11.3**	12.3	22.7
Retirement benefit schemes	**(7.9)**	(5.4)	(8.6)
Change in working capital	**15.4**	(3.4)	9.2
Other movements[1]	**(12.1)**	(2.5)	(4.0)
Adjusted cash generated from operations	**2.6**	0.1	16.4
Capital expenditure	**(5.9)**	(12.4)	(21.7)
Net interest and tax paid	**(0.7)**	(1.4)	(3.9)
Adjusted Free cashflow	**(4.0)**	(13.7)	(9.2)
Adjusted costs	**(6.0)**	(8.9)	(15.5)
Free cash outflow	**(10.0)**	(22.6)	(24.7)
(Repayment)/drawdown on facility	**(17.5)**	24.5	27.5
Payment of facility fee	**(0.7)**	(0.6)	(0.6)
Shareholder loans	**8.0**	-	-
Issue of new capital (net of expenses)	**29.6**	-	-
Exchange differences	**1.1**	0.9	(2.9)
Overdraft at beginning of period	**(1.6)**	(0.9)	(0.9)
Cash and cash equivalents/(overdraft) at end of period	**8.9**	1.3	(1.6)
Borrowings – due to banks	**(25.0)**	(38.9)	(42.5)
Borrowings - Shareholder loans	**(5.4)**	-	-
Statutory net debt at end of period	**(21.5)**	(37.6)	(44.1)

See glossary for definitions.

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

Balance sheet

Total equity at 6 October 2018 was £38.5 million, a decrease of £27.3 million year-on-year driven predominantly by cumulative losses since H1 FY2017/18 of £77.2 million, partly offset by the capital raise of £32.5 million (£29.6 million, after £2.9 million of advisor fees), and a decrease of £39.0 million in the net defined benefit pension obligation (net of tax). Total equity has improved by £33.9 million since year end due to the equity raise (net £29.6 million), reduced net pension liability (£19.5 million, net of tax), partly offset by first half losses of £15.6 million.

The balance sheet includes identifiable intangible assets arising on the acquisition of the Early Learning Centre of £4.2 million and goodwill of £26.8 million. These assets are allocated to the International business.

	6 October 2018 (Unaudited) £ million	7 October 2017 (Unaudited) £ million	24 March 2018 (Audited) £ million
Goodwill and other intangibles	**64.0**	61.8	66.4
Property, plant and equipment	**45.0**	70.1	55.0
Retirement benefit obligations (net of tax)	**(18.2)**	(57.2)	(37.7)
Net debt	**(21.5)**	(37.6)	(44.1)
Derivative financial instruments	**(2.3)**	(0.7)	(9.9)
Other net (liabilities)/assets	**(28.5)**	29.4	(25.1)
Net assets	**38.5**	65.8	4.6
Share capital and premium	**176.0**	146.4	146.4
Reserves	**(137.5)**	(80.6)	(141.8)
Total equity	**38.5**	65.8	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 6 October 2018 the Group had a net debt of £21.5 million (FY2017/18: £44.1 million) and had headroom on both cash and covenants on its facility.

In the first half, the Group refinanced with the support of its two Banks, HSBC and Barclays. This gave the Group access to a Revolving Credit Facility (“RCF”) of £67.5 million expiring in December 2020, with a step-down to £50.0 million from November 2018, and further step-down to £30.0 million in September 2020.

Upon completion of the sale and leaseback of the UK Head Office, the net proceeds of £14.5 million will be used to reduce drawings under the bank facilities. An uncommitted overdraft of £5.0 million will not now become available from the first step-down in November 2018. In addition, the Group has agreed with the banks to reduce its covenant targets to December 2019.

The Group also has access to a 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 October 2019. This is repayable on demand.

The Directors have reviewed the Group’s latest forecasts and projections, which have been sensitivity-tested for reasonably possible adverse variations in performance, reflecting the ongoing volatility in UK trading performance and restructuring activity across the store estate and head office. This indicates the Group will operate within the terms of its committed borrowing facilities and covenants for the foreseeable future.

The Board’s confidence in the Group’s forecast and reasonableness of downside projections and proven cash management capability supports our preparation of the financial statements on a going concern basis.

However, were the risk of a more significant and prolonged decline in trading performance, beyond that seen in the first half of the year, to materialise, this may create a material uncertainty that may cast significant doubt that the Group could operate as a going concern without using uncommitted financing facilities.

Treasury policy and financial risk management

The Board approves treasury policies and senior management directly control day-to-day operations within these policies. The major financial risks the Group is exposed to are 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.

Foreign currency risk

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

International reported sales represent approximately 33.5% (H1 FY2017/18: 32.5%) of Group sales. Total International sales in the 28 weeks to 6 October 2018 represent approximately 65.3% (H1 FY2017/18: 63.5%) of Group worldwide sales. The Group therefore has some currency exposure on these sales, but they are used to offset or hedge in part the Group's US dollar denominated product purchases. The Group policy is that where feasible, all material exposures are hedged by using forward currency contracts. To help mitigate against the currency impact on royalty receipts, the Group has hedged against its major market currency exposure.

Interest rate risk

At 6 October 2018, Group has drawn down £25.0 million on the Revolving Credit Facility ("RCF"). The RCF attracts an interest rate of 4.5% 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 11) 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's exposure to credit risk is 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 credit customer, the Group obtains a credit check from an external agency to assess the credit quality of the potential customer and then sets credit limits on a customer by customer basis. 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 (note 2).

Shareholders' funds

Shareholders' funds amount to £38.5 million, an increase of £33.9 million in the 28 week period to 6 October 2018. Included within this is £32.5 million of equity raised in the period (£29.6 million, net of advisor fees).

Post balance sheet events

Further details on the following post balance sheet events are given in note 16:

- UK Head Office sale and leaseback
- Restructuring of Head Office
- Guaranteed Minimum Pension high court ruling
- Management and Board changes

Condensed consolidated income statement

For the 28 weeks ended 6 October 2018

	Note	**28 weeks ended 6 October 2018** Before adjusted items[1]	Adjusted items [2]	Total (**Unaudited**)	28 weeks ended 7 October 2017 Before adjusted items[1]	Adjusted items [2]	(Unaudited) Restated* Total	52 weeks ended 24 March 2018 (Audited) Restated* Total
		£ million	**£ million**	**£ million**	£ million	£ million	£ million	£ million
Revenue		**295.0**	**-**	**295.0**	339.5	-	339.5	654.5
Cost of sales		**(281.5)**	**0.2**	**(281.3)**	(319.3)	0.4	(318.9)	(620.5)
Gross profit		**13.5**	**0.2**	**13.7**	20.2	0.4	20.6	34.0
Administrative expenses		**(16.6)**	**(6.2)**	**(22.8)**	(20.9)	(14.4)	(35.3)	(102.6)
Loss from operations		**(3.1)**	**(6.0)**	**(9.1)**	(0.7)	(14.0)	(14.7)	(68.6)
Net finance costs	5	**(3.1)**	**(2.2)**	**(5.3)**	(1.9)	(0.2)	(2.1)	(4.2)
Loss before taxation		**(6.2)**	**(8.2)**	**(14.4)**	(2.6)	(14.2)	(16.8)	(72.8)
Loss before taxation and foreign currency revaluations		***(9.1)***	***(8.7)***	***(17.8)***	*(0.7)*	*(16.1)*	*(16.8)*	*(65.7)*
Foreign currency adjustments		***2.9***	***0.5***	***3.4***	*(1.9)*	*1.9*	*-*	*(7.1)*
Loss before taxation		***(6.2)***	***(8.2)***	***(14.4)***	*(2.6)*	*(14.2)*	*(16.8)*	*(72.8)*
Taxation	6	**(0.9)**	**(0.3)**	**(1.2)**	1.1	1.2	2.3	(3.3)
Loss for the period attributable to equity holders of the parent		**(7.1)**	**(8.5)**	**(15.6)**	(1.5)	(13.0)	(14.5)	(76.1)
Earnings per share								
Basic	7	**(3.1)p**		**(6.7)p**	(0.9)p		(8.5)p	(44.8)p
Diluted	7	**(3.1)p**		**(6.7)p**	(0.9)p		(8.5)p	(44.8)p

All results relate to continuing operations.

(1) Before items described in footnote 2 below.
(2) Includes adjusted costs (property costs, restructuring costs and impairment charges) and provision for joint venture, and other adjusted items: amortisation of intangible assets (excluding software) and the impact of non-cash foreign currency adjustments as set out in notes 2 and 4. Adjusted items are considered to be one-off or significant in nature and or /value. Excluding these items from the profit metrics provides readers with helpful additional information on the performance of the business across the periods because it is consistent with how business performance is reviewed by the Board and Operating Board.

*Adjusted items in the prior half and full year 2018 have been reclassified on a consistent basis for the treatment of foreign exchange differences on the revaluation of working capital, adjusted interest costs and 'other adjusted items' previously shown separately – see note 4.

See glossary for definitions.

Condensed consolidated statement of comprehensive income

For the 28 weeks ended 6 October 2018

	28 weeks ended 6 October 2018 (Unaudited)	28 weeks ended 7 October 2017 (Unaudited)	52 weeks ended 24 March 2018 (Audited)
	£ million	£ million	£ million
Loss for the period	**(15.6)**	(14.5)	(76.1)
Items that will not be reclassified subsequently to the income statement:			
Actuarial gain on defined benefit pension schemes	**11.7**	6.9	36.0
Income tax relating to items not reclassified	**0.4**	(1.1)	(21.4)
	12.1	5.8	14.6
Items that may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations	**(0.7)**	(0.6)	(0.6)
Cash flow hedges: gains/(losses) arising in the period	**11.4**	(4.1)	(18.8)
Deferred tax on cash flow hedges	**(0.8)**	1.2	1.4
	9.9	(3.5)	(18.0)
Other comprehensive income/(expense) for the period	**22.0**	2.3	(3.4)
Total comprehensive income/(expense) for the period wholly attributable to equity holders of the parent	**6.4**	(12.2)	(79.5)

Condensed consolidated balance sheet

As at 6 October 2018

	Note	**6 October 2018 (Unaudited) £ million**	7 October 2017 (Unaudited) £ million	24 March 2018 (Audited) £ million
Non-current assets				
Goodwill		**26.8**	26.8	26.8
Intangible assets		**37.2**	35.0	39.6
Property, plant and equipment	8	**45.0**	70.1	55.0
Deferred tax asset	6	**2.9**	25.2	3.6
Trade and other receivables		**-**	-	0.1
Derivative financial instruments	11	**-**	0.9	-
		111.9	158.0	125.1
Current assets				
Inventories		**88.3**	119.6	87.0
Trade and other receivables		**47.5**	71.8	64.5
Cash and cash equivalents	9	**8.9**	1.3	-
Current tax asset		**-**	2.2	-
Derivative financial instruments	11	**2.4**	2.3	0.1
		147.1	197.2	151.6
Total assets		**259.0**	355.2	276.7
Current liabilities				
Trade and other payables		**(115.5)**	(131.4)	(106.3)
Borrowings	9	**-**	-	(1.6)
Current tax liabilities		**(0.8)**	-	(0.3)
Derivative financial instruments	11	**-**	(3.9)	(9.4)
Provisions		**(23.6)**	(8.2)	(16.8)
		(139.9)	(143.5)	(134.4)
Non-current liabilities				
Trade and other payables		**(15.4)**	(23.3)	(20.1)
Borrowings	9	**(30.4)**	(38.9)	(42.5)
Derivative financial instruments	11	**(4.7)**	-	(0.6)
Retirement benefit obligations	10	**(18.6)**	(68.9)	(37.7)
Provisions		**(11.5)**	(14.8)	(36.8)
		(80.6)	(145.9)	(137.7)
Total liabilities		**(220.5)**	(289.4)	(272.1)
Net assets		**38.5**	65.8	4.6
Equity attributable to equity holders of the parent				
Share capital	13	**87.1**	85.4	85.4
Share premium account	13	**88.9**	61.0	61.0
Own shares		**(1.1)**	(1.1)	(1.1)
Translation reserve		**(2.6)**	(1.9)	(1.9)
Hedging reserve		**2.0**	(0.8)	(9.4)
Retained deficit		**(135.8)**	(76.8)	(129.4)
Total equity		**38.5**	65.8	4.6

Condensed consolidated statement of changes in equity

For the 28 weeks ended 6 October 2018 (unaudited)

	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Hedging reserve £ million	Retained deficit £ 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	-	-	-	-	-	(0.8)	(0.8)
Cumulative adjustment to opening balances from the application of IFRS 9	-	-	-	-	-	(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
Other comprehensive (expense)/income for the period	-	-	-	(0.7)	10.6	12.1	22.0
Loss for the period	-	-	-	-	-	(15.6)	(15.6)
Total comprehensive (expense)/income for the period	-	-	-	(0.7)	10.6	(3.5)	6.4
Issue of new shares	1.7	30.8	-	-	-	-	32.5
Expenses of issue of equity shares	-	(2.9)	-	-	-	-	(2.9)
Transfer to equity from inventories during the period	-	-	-	-	0.8	-	0.8
Charge to equity for equity-settled share-based payments	-	-	-	-	-	(0.1)	(0.1)
Balance at 6 October 2018 (unaudited)	**87.1**	**88.9**	**(1.1)**	**(2.6)**	**2.0**	**(135.8)**	**38.5**

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

For the 28 weeks ended 7 October 2017 (unaudited)

	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Hedging reserve £ million	Retained deficit £ million	**Total equity £ million**
Balance at 26 March 2017	85.4	61.0	(1.5)	(1.3)	5.2	(67.4)	81.4
Other comprehensive (expense)/income for the period	-	-	-	(0.6)	(2.9)	5.8	2.3
Loss for the period	-	-	-	-	-	(14.5)	(14.5)
Total comprehensive expense for the period	-	-	-	(0.6)	(2.9)	(8.7)	(12.2)
Removal from equity to inventories during the period	-	-	-	-	(3.1)	-	(3.1)
Charge to equity for equity-settled share-based payments	-	-	-	-	-	(0.2)	(0.2)
Shares transferred to employees			0.4			(0.4)	-
Deferred tax on share-based payments	-	-	-	-	-	(0.1)	(0.1)
Balance at 7 October 2017 (unaudited)	**85.4**	**61.0**	**(1.1)**	**(1.9)**	**(0.8)**	**(76.8)**	**65.8**

For the 52 weeks ended 24 March 2018 (audited)

	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Hedging reserve £ million	Retained deficit £ million	**Total equity £ million**
Balance at 26 March 2017	85.4	61.0	(1.5)	(1.3)	5.2	(67.4)	81.4
Other comprehensive (expense)/income for the period	-	-	-	(0.6)	(17.4)	14.6	(3.4)
Loss for the period	-	-	-	-	-	(76.1)	(76.1)
Total comprehensive expense for the period	-	-	-	(0.6)	(17.4)	(61.5)	(79.5)
Transfer to equity from inventories during the period	-	-	-	-	2.8	-	2.8
Charge to equity for equity-settled share based payments	-	-	-	-	-	(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**

Condensed consolidated cash flow statement

For the 28 weeks ended 6 October 2018

	Note	**28 weeks ended 6 October 2018 (Unaudited)**	28 weeks ended 7 October 2017 (Unaudited)	52 weeks ended 24 March 2018 (Audited)
		£ million	£ million	£ million
Net cash flow from operating activities	14	**(3.0)**	(9.5)	(1.1)
Cash flows from investing activities				
Purchase of property, plant and equipment		**(2.7)**	(11.5)	(15.6)
Purchase of intangibles – software		**(3.5)**	(2.8)	(8.5)
Lease incentives received		**0.3**	1.9	2.4
Net cash used in investing activities		**(5.9)**	(12.4)	(21.7)
Cash flows from financing activities				
Issue of share capital		**32.5**	-	-
Expenses of share issue		**(2.9)**	-	-
Shareholder loans		**8.0**	-	-
Interest paid		**(1.1)**	(0.7)	(1.9)
Net (repayment)/drawdown on facility		**(17.5)**	24.5	27.5
Payment of facility fee		**(0.7)**	(0.6)	(0.6)
Net cash raised in financing activities		**18.3**	23.2	25.0
Net increase in cash and cash equivalents		**9.4**	1.3	2.2
Overdraft at beginning of period		**(1.6)**	(0.9)	(0.9)
Effect of foreign exchange rate changes		**1.1**	0.9	(2.9)
Net cash and cash equivalents/(overdraft) at end of period		**8.9**	1.3	(1.6)

Notes to the condensed consolidated financial statements (unaudited)

1 General information

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Chairman's statement, the Chief Executive's review and the Financial review and include a summary of the Group's financial position, its cash flows and borrowing facilities and a discussion of why the Directors consider that the going concern basis is appropriate.

The results for the 28 weeks ended 6 October 2018 are unaudited but have been reviewed by the Group's auditor, whose report forms part of this document.

These condensed consolidated interim financial statements for the current period and prior financial periods do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the prior financial year has been filed with the Registrar of Companies. The auditor's report on those accounts was not qualified or modified and did not contain statements under section 498(2) or (3) of the Companies Act 2006 but did contain a material uncertainty relating to going concern in respect of the Group's proposed restructuring and refinancing plan, comprising new debt facilities, an underwritten equity issue and access to other sources of capital.

2 Accounting Policies and Standards

Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority, and with IAS 34 'Interim Financial Reporting', as adopted by the European Union. Unless otherwise stated, the accounting policies applied, and the judgements, estimates and assumptions made in applying these policies, are consistent with those described in the Annual Report and Financial Statements 2018. The financial period represents the 28 weeks ended 6 October 2018. The comparative periods are the 28 weeks ended 7 October 2017 and the 52 weeks ended 24 March 2018.

Going concern

The Directors have reviewed the Group's latest forecasts and projections, which have been sensitivity-tested for reasonably possible adverse variations in performance, reflecting the ongoing volatility in UK trading performance and restructuring activity across the store estate and head office. This indicates the Group will operate within the terms of its committed borrowing facilities and covenants for the foreseeable future.

The Board's confidence in the Group's forecast and reasonableness of downside projections and proven cash management capability supports our preparation of the financial statements on a going concern basis.

However, were the risk of a more significant and prolonged decline in trading performance, beyond that seen in the first half of the year, to materialise, this may create a material uncertainty that may cast significant doubt that the Group could operate as a going concern without using uncommitted financing facilities.

Notes to the condensed consolidated financial statements

2 Accounting Policies and Standards (continued)

Adoption of new IFRSs

The same accounting policies, presentation and methods of computation are followed in this half 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 28 weeks ended 6 October 2018 is the Group's first period of application. The Group has adopted IFRS 9 and IFRS 15 effective for the period ending 6 October 2018.

IFRS 9 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. The receivables provision was calculated as at 25 March 2018 as it would have been if IFRS 9 had applied, and an adjustment of £2.0 million was recognised through retained earnings.

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. The implementation of IFRS 15 has impacted the Group in a number of areas. A right of return asset and a refund liability are 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 by £0.6 million and £0.3 million respectively.

Standard issued but not yet effective

IFRS 16 'Leases' is effective for periods beginning on or after 1 January 2019 and represents a significant change in the accounting and reporting of leases. The standard requires lessees to recognise assets and liabilities for all leases unless the underlying asset is of immaterial value or the lease term is less than one year. Lease agreements will give rise to both a right of use asset and a lease liability for future lease payables. Depreciation of the right of use asset will be recognised in the income statement on a straight line basis with interest recognised on the lease liability.

This will result in a change to the net charge taken to the income statement over the life of the lease. These charges will replace the lease cost currently charged to the income statement. It is expected that the implementation of IFRS 16 will have a significant impact on the Group.

The process to quantify the full impact of IFRS 16 is ongoing and it is not yet practicable to provide a reliable estimate of the financial impact on the Group's results. The Group will provide a high-level assessment of the impact in the Annual Report for the period ended 30 March 2019.

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 onto a comparable basis.

Notes to the condensed consolidated financial statements

2 Accounting Policies and Standards (continued)

Foreign currency adjustments

The Group applies hedge accounting on its foreign currency contracts. The adjustment made by the Group ensures that it reports its adjusted profit performance consistently with cash flows, reflecting the economic hedging which is in place. In addition, foreign currency monetary assets and liabilities are revalued to the closing balance sheet rate under IAS21 "The Effects of Changes in Foreign Exchange Rates". Revaluation adjustments relating to cash and debtors are included before adjusted items with those relating to hedged items reported as adjusted items such that the Group reports its adjusted performance consistently with its cash flows.

Taxation

The taxation charge for the 28 week period is calculated by applying the best estimate of the average annual effective tax rate expected for the full year to the profit/loss for the period after adjusting for any significant one-off items, and a tax credit is recognised only to the extent that the resulting tax asset is more than likely not to reverse.

Retirement benefits

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 pension obligation has been updated to reflect: current market discount rates; current market values of investments and actual investment returns; and also for any other events that would significantly affect the pension liabilities. The impact of these changes in assumptions and events has been estimated in arriving at the valuation of the pension obligation.

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 measures.

Notes to the condensed consolidated financial statements

2 Accounting Policies and Standards (continued)

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 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 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.

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. On this basis, the following items were included within adjusted items for the 28 week period ended 6 October 2018:

- Store impairment and onerous lease charges (£5.3 million credit, H1 FY2017/18: £11.5 million charge);
- Cost associated with restructuring, redundancies and refinancing (£11.5 million; H1 FY2017/18: £1.5 million);
- Costs included in finance costs (£2.2 million including the fair value movement on the embedded derivatives in the shareholder loans of £1.8 million), (H1 FY2017/18: £0.2 million); and
- Non-cash foreign currency adjustments relating to the revaluation of outstanding forward contracts which have not yet been matched to the purchase of stock (£0.5 million credit, H1 FY 2017/18: £1.9 million credit).

Notes to the condensed consolidated financial statements

2 Accounting Policies and Standards (continued)

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. The reconciliation from adjusted free cash flow to statutory cash flow is shown in the Financial review.

3 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 International and UK.

The International business comprises the Group's franchise and wholesale revenues outside the UK. UK comprises the Group's UK store and wholesale operations, catalogue and web sales. The unallocated corporate expenses represent Board and company secretarial costs and other head office costs including audit, professional fees, insurance and head office property costs.

				28 weeks ended 6 October 2018 (Unaudited)
	International £ million	**UK £ million**	**Unallocated Corporate Expenses £ million**	**Consolidated £ million**
Revenue				
Reported sales	**98.8**	**196.2**	**-**	**295.0**
Segment result (before adjusted items*)	**16.4**	**(16.1)**	**(4.4)**	**(4.1)**
Share-based payments credit	**-**	**-**	**1.0**	**1.0**
Non-cash foreign currency adjustments (adjusted item)	**-**	**-**	**0.5**	**0.5**
Amortisation of intangible assets (adjusted item)	**-**	**-**	**(0.3)**	**(0.3)**
Adjusted costs	**(1.9)**	**(3.0)**	**(1.3)**	**(6.2)**
Profit/(loss) from operations	**14.5**	**(19.1)**	**(4.5)**	**(9.1)**
Finance costs (including adjusted item of £2.2 million)				**(5.3)**
Loss before taxation				**(14.4)**
Taxation				**(1.2)**
Loss for the period				**(15.6)**

The gain on foreign currency revaluations of £2.9m has been allocated between the International (£1.5m) and UK (£1.4m) segment results (before adjusted items)
*See glossary for definitions.

Notes to the condensed consolidated financial statements

3. Segmental information (continued)

	International £ million	UK £ million	Unallocated Corporate Expenses £ million	Consolidated £ million Restated*
				28 weeks ended 7 October 2017 (Unaudited)
Revenue				
Reported sales	110.5	229.0	-	339.5
Segment result (before adjusted items*)	14.0	(10.6)	(4.3)	(0.9)
Share-based payments credit	-	-	0.2	0.2
Non-cash foreign currency adjustments (adjusted item)	-	-	1.9	1.9
Amortisation of intangible assets (adjusted item)	-	-	(0.5)	(0.5)
Adjusted costs	(1.6)	(12.5)	(1.3)	(15.4)
Profit/(loss) from operations	12.4	(23.1)	(4.0)	(14.7)
Finance cost (including adjusted item of £0.2 million)				(2.1)
Loss before taxation				(16.8)
Taxation				2.3
Loss for the period				(14.5)

The loss on foreign currency revaluations of £1.9m has been allocated between the International (£0.9m) and UK (£1.0m) segment results (before adjusted items)
*See glossary for definitions.

	International £ million	UK £ million	Unallocated Corporate Expenses £ million	Consolidated £ million Restated*
				52 weeks ended 24 March 2018 (Audited)
Revenue				
Reported sales	216.9	437.6	-	654.5
Segment result (before adjusted items*)	29.0	(24.3)	(7.6)	(2.9)
Share-based payments credit	-	-	0.1	0.1
Foreign currency adjustments				
Non-cash foreign currency adjustments (adjusted item)	-	-	2.0	2.0
Amortisation of intangible assets (adjusted item)	-	-	(0.9)	(0.9)
Adjusted costs	(5.2)	(59.6)	(2.1)	(66.9)
Profit/(loss) from operations	23.8	(83.9)	(8.5)	(68.6)
Finance costs (including adjusted item of £0.2 million)				(4.2)
Loss before taxation				(72.8)
Taxation				(3.3)
Loss for the period				(76.1)

The loss on foreign currency revaluations of £9.1m has been allocated between the International (£4.6m) and UK (£4.5m) segment results (before adjusted items)
*See glossary for definitions.

Notes to the condensed consolidated financial statements

4 Adjusted items

Due to their significance or one-off nature, certain items have been classified as adjusted items as follows:

	28 weeks ended 6 October 2018 (Unaudited) £ million	**28 weeks ended 7 October 2017 (Unaudited) Restated* £ million**	52 weeks ended 24 March 2018 (Audited) Restated* £ million
Adjusted costs:			
Restructuring costs included in cost of sales	**-**	(1.0)	(2.0)
Property related income/(costs) included in administrative expenses	**5.3**	(11.5)	(55.6)
Non-property related restructuring costs included in administrative expenses	**(11.5)**	(1.5)	(7.4)
Joint venture trade receivable provision included in administrative expenses	**-**	(1.4)	(1.9)
Restructuring costs included in finance costs	**(2.2)**	(0.2)	(0.2)
Total adjusted costs:	**(8.4)**	(15.6)	(67.1)
Other adjusted items:			
Non-cash foreign currency adjustments under IAS 39 and IAS 21 included in cost of sales	**0.5**	1.9	2.0
Amortisation of intangibles included in cost of sales	**(0.3)**	(0.5)	(0.9)
Adjusted items before tax	**(8.2)**	(14.2)	(66.0)

*Adjusted items in the prior half and full year 2018 have been restated on a consistent basis for the treatment of foreign exchange differences on the revaluation of working capital (H1 FY2017/18: loss of £1.9 million, FY2017/18: loss of £9.1million) and adjusted interest costs (H1 FY2017/18: £nil, FY2017/18: £0.2 million).

Restructuring costs included in cost of sales

No restructuring costs were included in cost of sales in the current period. During H1 FY2017/18, £1.0 million was recognised for costs associated with the development of UK warehousing.

Property related income/(costs) included in administrative expenses

During the 28 weeks ended 6 October 2018, income of £5.3 million was recognised. This comprised:

Onerous lease provisions - £17.7 million credit (H1 FY2017/18: charge of £0.1 million)
In the year ended 24 March 2018, a significant provision was created in respect of onerous leases due to the declining performance of stores. Since that time the Company Voluntary Arrangements ("CVAs") have been approved. The resulting planned closure of a number of significantly loss-making stores means that the provision in relation to these stores is no longer required past the planned closure date.

Store impairment charges - £5.8 million charge (H1 FY2017/18: £5.4 million)
The store impairment charge reflects the impairment of assets held at the additional stores being closed, as well as the decline in performance of specific continuing stores where the net present value of the future cash flows is less than the carrying value of the store assets.

The charges/credits 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.

Store closure costs - £6.6 million charge (H1 FY2017/18: £6.0 million)
Following the approval of the CVAs for Mothercare UK Limited and Early Learning Centre Limited and the administration of Childrens World Limited, the Group's store closure programme has been accelerated. A provision has been made for the associated closure costs.

Notes to the condensed consolidated financial statements

4 Adjusted items (continued)

Property related income/(costs) included in administrative expenses

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.

Non-property related restructuring costs included in administrative expenses

During the 28 weeks ended 6 October 2018 an expense of £11.5 million was recognised.
This comprised:

Refinancing costs - £6.3 million (H1 FY2017/18: £nil)
In May 2018 the Group entered into a refinancing and funding review resulting in: an equity raise; shareholder loans; CVAs; the administration of Childrens World Limited; and an amendment to the Group's banking facilities - resulting in significant consultancy and professional service fees being incurred.

Restructuring costs - £5.2 million (H1 FY2017/18: £1.5 million)
During the period the Group announced that its sourcing operation will be outsourced. A provision has therefore been made in respect of redundancy costs, advisor fees, and lease termination costs.

The restructure and refinancing activities are considered one-off and significant in value. As a result, they are not considered to be normal operating costs of the business.

Joint venture trade receivable provision included in administrative expenses

The prior period 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

As part of the refinancing carried out during the first half, the Group raised shareholder loans of £8.0 million from a number of shareholders. The terms 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 at each balance sheet date. The movement in the embedded derivative of £1.8 million is recognised as a finance cost in adjusted items.

Upon the renegotiation of banking facilities in the current period, a charge of £0.4 million for the previously unamortised facility fee was recognised in adjusted costs (H1 FY2017/18: £0.2 million charge relating to the previous facility).

Notes to the condensed consolidated financial statements

4 Adjusted items (continued)

Other adjusted items

Non-cash foreign currency adjustments 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 on the intangible assets which arose on the acquisition of the Early Learning Centre are amortised on a straight line basis and their treatment as adjusted items is consistent with prior periods.

5 Net finance costs

	28 weeks ended 6 October 2018 (Unaudited) £ million	28 weeks ended 7 October 2017 (Unaudited) £ million	52 weeks ended 24 March 2018 (Audited) £ million
Interest on pension liabilities/return on assets	**0.5**	1.1	2.0
Other net interest	**4.8**	1.0	2.2
Net finance costs	**5.3**	2.1	4.2

6 Taxation

	28 weeks ended 6 October 2018 (Unaudited) £ million	28 weeks ended 7 October 2017 (Unaudited) £ million	52 weeks ended 24 March 2018 (Audited) £ million
Current tax – Overseas tax and UK corporation tax	**0.9**	(1.6)	2.1
Deferred tax - UK tax charge/(credit) for temporary differences	**0.3**	(0.7)	1.2
Total tax charge/(credit)	**1.2**	(2.3)	3.3

A deferred tax asset of £2.9 million (H1 FY2017/18: £25.2 million) has been recognised in the financial statements at the balance sheet date only to the extent that the realisation of the related tax benefit is probable.

HMRC is continuing to review Mothercare's compliance with the National Minimum Wage legislation. Currently the outcome of this is unknown and it is not possible to estimate any potential cost.

Notes to the condensed consolidated financial statements

7 Earnings per share

	28 weeks ended 6 October 2018 (Unaudited) million	28 weeks ended 7 October 2017 (Unaudited) Restated* million	52 weeks ended 24 March 2018 (Audited) Restated* million
Weighted average number of shares in issue for the purpose of basic earnings per share	**231.7**	169.8	169.8
Dilution – option schemes	**24.2**	7.5	5.8
Weighted average number of shares in issue for the purpose of diluted earnings per share	**255.9**	177.3	175.6

	(Unaudited) £ million	(Unaudited) £ million Restated*	(Audited) £ million Restated*
Loss for basic and diluted earnings per share	**(15.6)**	(14.5)	(76.1)
Adjusted items (note 4)	**8.2**	14.2	66.0
Tax effect of adjusted items	**0.3**	(1.2)	0.3
Adjusted losses	**(7.1)**	(1.5)	(9.8)

	(Unaudited) Pence	(Unaudited) Pence Restated*	(Audited) Pence Restated*
Basic losses per share	**(6.7)**	(8.5)	(44.8)
Basic adjusted losses per share	**(3.1)**	(0.9)	(5.8)
Diluted losses per share	**(6.7)**	(8.5)	(44.8)
Diluted adjusted losses per share	**(3.1)**	(0.9)	(5.8)

The total dividend for the period is nil pence per share (H1 FY2017/18: nil pence per share).

8 Property, plant and equipment

Capital additions of £4.7 million were made during the period (H1 FY2017/18: £6.4 million). Disposals in the period were £0.8 million net book value (H1 FY2017/18: £0.2 million net book value) mainly relating to the store closure programme.

9 Net debt

As at 6 October 2018, the Group had drawn down £25.0 million of the Revolving Credit Facility ("RCF"). The RCF attracts an interest rate of 4.5% above LIBOR.

The Group had also raised shareholder loans of £8.0 million. 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 (£5.4 million at 6 October 2018), and the option to convert is fair valued and treated as an embedded derivative (see note 11). The shareholder loans attract a monthly compound interest rate of 0.83%.

With £8.9 million of cash and cash equivalents held at 6 October 2018 (H1 FY2017/18: £1.3 million), net debt was £21.5 million (H1 FY2017/18: £37.6 million).

10 Retirement benefit schemes

The Group updated its accounting for pensions under IAS 19 as at 6 October 2018. This involved rolling forward the assumptions from the FY2017/18 year end and updating for changes in market rates in the first half.

For the UK schemes, based on the actuarial assumptions from the last full actuarial valuations carried out as of March 2017 and using the rolled forward assumptions referred to above, a net liability of £18.6 million (H1 FY2017/18: £68.9 million) has been recognised. This represents a material decrease year-on-year, primarily as a result of higher gilt and corporate bond yields slightly offset by an increase in long term inflation expectations.

Notes to the condensed consolidated financial statements

11 Financial instruments' fair value disclosures

The Group held the following financial instruments at fair value at 6 October 2018.

	Fair value measurements at 6 October 2018 (Unaudited) £ million	Fair value measurements at 7 October 2017 (Unaudited) £ million	Fair value measurements at 24 March 2018 (Audited) £ million
Non-current financial assets/(liabilities):			
Derivative financial instruments:			
Forward foreign currency contracts	-	0.9	(0.6)
Embedded derivative arising on shareholder loans	**(4.7)**	-	-
Current financial assets:			
Derivative financial instruments:			
Forward foreign currency contracts	**2.4**	2.3	-
Other embedded derivatives	**-**	-	0.1
Current financial liabilities:			
Derivative financial instruments:			
Forward foreign currency contracts	**-**	(3.9)	(9.4)
	(2.3)	(0.7)	(9.9)

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 therefore the valuation is categorised within level 2 of the fair value hierarchy set out in IFRS 7.

During the period, the Group raised shareholder loans of £8.0 million. As the shareholder loans provide an opportunity for conversion to equity of the Company at specified dates they are accounted for at amortised cost (£5.4 million at 6 October 2018), and the option to convert is fair valued and treated as an embedded derivative. The fair value of embedded derivatives arising on shareholder loans has been measured using the Black-Scholes model and is based on quoted prices, and also falls under level 2 of IFRS 7's fair value hierarchy.

The derivative financial assets and liabilities whose fair values include the use of level 2 inputs are obtained from the banks and financial institutions with which the derivatives have been transacted, subject to adjustment for credit risk if necessary.

The valuations incorporate the following inputs:

- interest rates and yield curves at commonly quoted intervals;
- observable credit spreads;
- share price; and
- interpolated zero coupon LIBOR rates.

The Directors consider that the carrying value amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values.

12 Share-based payments

A charge is recognised for share-based payments based on the fair value of the awards at the date of grant, the estimated number of shares that will vest and the vesting period of each award. The total net credit for share-based payments under IFRS 2 is £1.0 million (H1 FY2017/18: £0.2 million credit) of which a charge of £0.1 million relates to schemes that will be equity settled (H1 FY2017/18: £0.2 million). The credit arises due to a reduction in the number of shares that are expected to vest.

13 Share Capital and Share Premium

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. 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).

Notes to the condensed consolidated financial statements

14 Notes to the cash flow statement

	28 weeks ended 6 October 2018 (Unaudited) £ million	28 weeks ended 7 October 2017 (Unaudited) £ million	52 weeks ended 24 March 2018 (Audited) £ million
Loss from operations	**(9.1)**	(14.7)	(68.6)
Adjustments for:			
Depreciation of property, plant and equipment	**6.7**	8.4	14.7
Amortisation of intangible assets	**4.9**	4.4	8.9
Impairment of property, plant and equipment and intangible assets	**5.4**	5.6	17.1
Loss/(profit) on disposal of property, plant and equipment and intangible assets	**0.8**	(0.1)	-
Loss on non-cash foreign currency adjustments	**2.2**	-	7.1
Share-based payments	**(1.0)**	(0.2)	-
Movement in provisions	**(18.5)**	0.5	31.0
Amortisation of lease incentives	**(2.3)**	(2.3)	(4.3)
Payments to retirement benefit schemes	**(10.4)**	(7.1)	(11.8)
Charge in respect of retirement benefit schemes	**2.5**	1.7	3.2
Operating cash flow before movement in working capital	**(18.8)**	(3.8)	(2.7)
Decrease/(increase) in inventories	**1.2**	(12.2)	(2.4)
Decrease/(increase) in receivables	**13.9**	(3.7)	(8.2)
Increase in payables	**3.3**	16.1	1.7
Foreign exchange (gains)/losses arising on working capital	**(3.0)**	(5.2)	12.5
Cash (used in)/generated from operations	**(3.4)**	(8.8)	0.9
Income taxes received/(paid)	**0.4**	(0.7)	(2.0)
Net cash outflow from operating activities	**(3.0)**	(9.5)	(1.1)

Analysis of net debt

	24 March 2018 £ million	Cash flow £ million	Foreign exchange £ million	Non – cash movements[1.] £ million	**6 October 2018 £ million**
Cash and cash equivalents	-	7.8	1.1	-	8.9
Bank overdrafts	(1.6)	1.6	-	-	-
Net cash and cash equivalents	(1.6)	9.4	1.1	-	8.9
Borrowings - Banks	(42.5)	17.5	-	-	(25.0)
Borrowings - Shareholder loans (net of £0.2 million fees)	-	(7.8)	-	2.4	(5.4)
Net debt	**(44.1)**	**19.1**	**1.1**	**2.4**	**(21.5)**

1. Non-cash movements comprise the £3.0 million valuation of the embedded derivative at inception, and £0.6 million of interest accrued on the shareholder loans.

Notes to the condensed consolidated financial statements

15 Related party transactions

Transactions between the Group 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 and associates are disclosed below.

Trading transactions:

Joint ventures and associates	Revenue from related parties £ million	Amounts owed by related parties (net of provisions) £ million
28 weeks ended 6 October 2018 (unaudited)	0.8	1.0
28 weeks ended 7 October 2017 (unaudited)	3.8	7.2
52 weeks ended 24 March 2018 (audited)	6.4	1.8

Revenue earned from related parties includes royalty income on retail sales of related parties to their customers, plus sales of goods to related parties made at the Group's usual list price.

The net amounts owed by related parties relates to the Ukraine joint venture. A provision of £1.0 million (H1 FY2017/18: £0.8 million) exists for doubtful debts in respect of the amounts owed by Ukraine. For the 28 weeks ended 7 October 2017 the net amounts owed by related parties included both the Ukraine and China joint ventures. The China joint venture was disposed of in the year ended 24 March 2018.

The amounts outstanding are unsecured and will be settled in cash.

16 Post balance sheet events

UK Head Office sale and leaseback
The Group has agreed conditional exchange on a sale and leaseback of the UK Head Office. Completion is anticipated by the end of December, for a net consideration of approximately £14.5 million. It has been agreed that, upon completion of the disposal, the net proceeds of £14.5 million will be used to reduce drawings under the bank facilities. An uncommitted overdraft of £5.0 million will not now become available from the first step-down in November 2018. In addition, the Group has agreed with the Banks to reduce its covenant targets to December 2019.

Restructuring of UK Head Office
On 31 October 2018 a UK Head Office restructure was announced, and the Group commenced a formal collective consultation exercise. The objective is to create a leaner organisation structure designed to refocus the operating model around global specialism and service.

Guaranteed Minimum Pension high court ruling
On 26 October 2018 the High Court of Justice of England and Wales issued a judgement in a claim between Lloyds Banking Group Pensions Trustees Limited and Lloyds Bank Plc. The judgement concluded that the schemes should be amended to equalise pension benefits for men and women in relation to the Guaranteed Minimum Pension benefits.

The issues determined by the judgement arise in relation to many occupational pension schemes. The extent to which the judgement will increase the liabilities of the Mothercare Group Pension scheme and increase the accounting deficit of £18.6 million as at 6 October 2018 is under consideration and any adjustments necessary will be recognised in the second half of the current financial year.

Management and Board changes
On 21 November 2018 David Wood resigned from his position as Group Managing Director.

Additional Disclosures

Principal risks and uncertainties

As with any business, effective risk management and controls are critical to successfully achieving the Group's strategy. The Operating Board continually assesses and monitors the key risks faced by the Group and they remain those set out on pages 15 to 17 of our Annual Report and Financial Statements 2018:

- Liquidity and cash management
- Brand and reputation
- International markets and franchisee model
- Transformation strategy and impact
- IT Systems
- Supply chain and 3rd parties
- Product safety
- Political climate and uncertainty
- Regulatory and legal
- Personnel and talent
- Competition and customer experience

Directors' Responsibility statement

The Directors are responsible for preparing the Interim Results for the 28 week period ended 6 October 2018 in accordance with applicable law, regulations and accounting standards. The Directors confirm that to the best of their knowledge the condensed consolidated interim financial statements have been prepared in accordance with IAS 34: 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of the important events that have occurred during the first 28 weeks of the financial year and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining 25 weeks of the financial year; and
- material related party transactions in the first 28 weeks of the year and any material changes in the related party transactions described in the last annual report.

The Directors of Mothercare plc are listed on pages 36 & 37 of the Mothercare plc Annual Report and Financial Statements 2018. A list of directors is maintained on the Mothercare plc website at: www.mothercareplc.com. Except for the resignation of Tea Colaianni and reappointment of Mark Newton-Jones on 18 May 2018, and the resignations of Richard Rivers and Lee Ginsberg on 19 July 2018, there have been no further changes since the publication of the Annual Report.

By order of the Board

Mark Newton-Jones	Glyn Hughes
Chief Executive Officer	Chief Financial Officer

21 November 2018

Glossary – 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.

Glossary – Alternative Performance Measures (APMs) (continued)

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.

Independent review report to Mothercare plc

We have been engaged by the company to review the condensed financial statements in the half-yearly financial report for the 28 weeks ended 6 October 2018 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.
As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed financial statements in the half-yearly financial report for the 28 weeks ended 6 October 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Independent review report to Mothercare plc - continued

Emphasis of matter - material uncertainty relating to going concern

We have considered the adequacy of the disclosures made in Note 2 to the condensed financial statements in the half-yearly financial report for the 28 weeks ended 6 October 2018 concerning the Group's ability to continue as a going concern.

Given the recent volatility in the Group's UK and International retail trading, especially should trading continue to experience the rates of decline seen in the last six months, there remains uncertainty as to whether the Group will be able to generate sufficient future profits and cash flows to remain within their committed borrowing facilities and related financial covenants for the twelve month period from the date of this report. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The condensed financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern. Our review conclusion is not modified in respect of this matter.

Deloitte LLP
Statutory Auditor
London
21 November 2018

Shareholder information

Financial calendar

	2019
Preliminary announcement of results for the 53 weeks ending 30 March 2019	End May
Issue of report and accounts	Mid-June
Annual General Meeting	Mid-July
Announcement of interim results for the 28 weeks ending 11 October 2019	End November

Registered office and head office
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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 0371 384 2013
Overseas +44 (0)121 415 7042
www.equiniti.com

Share dealing services
Services are available through the Company's registrars, Equiniti for the purchase and sale of Mothercare plc shares. Trade online through Shareview.co.uk or by phone on 03456 037 037. Postal share dealing is also available and details can be obtained on 0371 384 2248 (Lines are open 08:30 to 17:30, Monday to Friday, excluding public holidays in England and Wales).

The Company's stockbrokers are:

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT
Telephone 020 7260 1000

Shore Capital Stockbrokers Limited
14 Clifford Street
London W1S 4JU
Telephone 020 7408 4080

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.