Mothercare plc

Half Year Results

Mothercare plc ("Mothercare" or "the Company"), the global specialist retailer for parents and young children, today announces unaudited half year results of the Company and its subsidiaries (the "Group") for the 28 week period to 12 October 2019.

Corporate update

On 5 November 2019, after the period end, the Company's subsidiary and owner of the Group's UK retail operations, Mothercare UK Limited (in administration) ("MUK"), entered administration. An agreement was reached with the administrators of MUK to assign the "Mothercare" brand and novate the majority of the Group's international franchise agreements to a new legal entity and subsidiary of the Company, Mothercare Global Brand Limited ("MGB"), alongside certain assets and liabilities, including all liabilities in respect of the Group's defined benefit pension schemes.

The administration of MUK and transfer of the international franchise business to MGB completes the transformation of our Group into a capital light business which is expected to be both cash generative and profitable, focused on its global international franchise arrangements.

The Company also announces that Nick Wharton is stepping down as a non-executive director and will be replaced by Brian Small, after a suitable handover period.

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

"This has been an extraordinarily challenging period in Mothercare's 58-year history, particularly for our committed, hard-working colleagues who have worked tirelessly to sustain our UK retail operation. It was simply not financially viable to maintain the UK store estate and supporting infrastructure any longer without putting the whole Mothercare Group at risk."

"Whilst this was a very difficult decision and one we didn't take lightly, it completes the transformation of our group into a capital light, cash generative and profitable business and, importantly, protects all of the pensioners of the Group."

"We are confident in the future of the Mothercare brand. We believe that, without the financial and management burden of running a UK retail operation, we can singularly focus Mothercare on its global international franchise. This opportunity for this business is best demonstrated by the fact that there are 130 million babies born every year across the world, compared to 700,000 in the UK, and the Group will now look to drive value for shareholders by harnessing that potential."

Clive Whiley, Chairman of Mothercare plc, commented:

"I would like to thank Nick Wharton, on behalf of the Board, for his contribution to Mothercare over the past six years. Personally I would also note his unerring support and wise counsel through the last 18 months since my appointment in April 2018, which has proved invaluable to me, the Board and the Company."

"I am delighted that Brian Small is joining the Board. Brian brings a wealth of experience from a branded consumer facing background and I have no doubt that he will be an effective non-executive and Chair of the Audit and Risk Committee."

Financial Highlights for H1 FY19/20

It should be noted that whilst the UK division of MUK will be disclosed as a discontinued operation in the FY19/20 year-end financial statements, for the purposes of these unaudited, condensed, interim statements, it is shown as a separate, albeit continuing, segment under IFRS 8 (given that the conditions for disclosure as a discontinued operation were not met at the reporting date).

- Reduction in Group adjusted loss before taxation from continuing operations to £5.8 million (H1 FY18/19: loss of £10.5 million).
- Statutory Group loss before taxation from continuing operations of £21.2 million (H1 FY18/19: loss of £18.5 million)
- Adjusted International profit before taxation[2] of £12.2 million (H1 FY18/19: £15.5 million)
- Net debt of £24.5 million (£6.9 million at 30 March 2019)
- International business showing growth in a number of key markets offset by the Middle East
    - International retail sales down 5.3% in constant currency (H1 FY18/19 down 2.0%), down 1.6% in actual currency;
    - Growth in core markets of India, Indonesia and Russia; macroeconomic and trading challenges continued in the Middle East.
- Continuation of difficult trading conditions in the UK
    - UK like-for-like sales decline of 2.0%, reflecting challenges for both stores and online trading;
    - UK business entered administration after the period end.

The below table includes Group performance on a continuing operations basis; this excludes the discontinued operation of the Early Learning Centre, but includes the UK operation, which was not discontinued until after the reporting date:

Group performance – on a continuing operations basis	**28 weeks to 12-Oct-19 £million**	**28 weeks to 06-Oct-18 £million**	***% change vs. last year***
Group			
Worldwide sales[1]	452.3	493.9	(8.4)%
Total Group revenue	234.1	269.8	(13.2)%
Group adjusted loss before taxation[2]	(5.8)	(10.5)	44.8%
Group adjusted loss before taxation and foreign currency revaluations[2]	(6.9)	(9.4)	26.6%
Group loss before tax from continuing operations	(21.2)	(18.5)	(14.6)%
Net debt[4]	(24.5)	(21.5)	(14.4)%
International			
International like-for-like sales[3]	(5.7)%	(3.4)%	-
International retail sales in constant currency[3]	(5.3)%	(2.0)%	-
International retail sales in actual currency[3]	(1.6)%	(7.3)%	-
Total International retail sales[3]	316.4	321.4	(1.6)%
Total International reported sales	102.3	106.6	(4.0)%
Adjusted International profit before taxation and foreign currency revaluations[2]	12.2	15.5	(21.2)%
UK			
UK like-for-like sales[3]	(2.0)%	(11.1)%	-
UK online sales	68.9	79.2	(13.0)%
Total UK sales	131.8	163.1	(19.2)%
Adjusted UK loss before taxation and foreign currency revaluations[2]	(12.2)	(19.0)	36.2%

See below for definitions of the adjusted measures.

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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.

2 – Adjusted loss before taxation and adjusted loss before taxation foreign currency revaluations are stated before the impact of the adjusting items set out in note 4.

3 – UK like-for-like sales are defined as sales from stores that have been trading continuously from the same space for at least a year and 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.

4 – Net debt is defined as total borrowings including shareholder loans and bank overdraft/cash at bank.

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

6 – 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.

7 – 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.

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

Mothercare's UK retail business

Following an exhaustive review into all options for ownership of the UK business, we concluded on the 5th November that we had to make the difficult decision to put our UK operations into administration. This was a decision that was not taken lightly, but one that would enable a long-term, sustainable future for the brand around the globe and importantly, one that would complete the transformation of the group into a capital light, cash generative and profitable business.

In our Q1 trading statement in July 2019, we announced that we had engaged Numis to explore the best way forward for the UK retail business and to consider options for its ownership structure, including the potential for identifying a suitable UK franchise partner.

Whilst the strength of the Mothercare brand created much interest, the shortlisted parties (all of whom were retailers), didn't wish to take on the extra burden of another UK retail estate, warehouse infrastructure or indeed a head office in addition to their own. We concluded therefore that the only profitable future for the Mothercare brand in the UK would be as a franchise hosted within the infrastructure of another retailer as opposed to a completely standalone business.

We could see no reasonable prospect for Mothercare's UK operation to be sold in its entirety, and had we kept the business as our own, we could no longer afford to continue to fund its losses. The cost base of the UK business, driven by occupancy and central costs even on a reduced estate of 80 stores, was still too large for the margin to cover. As a direct result of this conclusion, MUK and Mothercare Business Services Ltd entered into administration on 5th November. This was a difficult decision to make, given its impact on both our hardworking UK based employees and the supply base, but we simply had no choice. Without this action we would have risked the whole of the Group's business, including our profitable international business, being engulfed by the cash burn of the UK operation.

We anticipate that the Mothercare UK stores and online platform (which are currently operating under the direction of the administrators of MUK), will cease trading in early 2020.

Mothercare UK trading history

It would be remiss if we didn't take time to reflect on the Mothercare UK retail performance and provide some commentary as to why the UK business has not managed to achieve economic viability.

As stark a reality as it is, the UK retail division of the Group has not made an annual operating profit in over 10 years. All of the Group's profits have been generated from our international franchise business. In spite of the valiant efforts made by the board and the wider team to restore profitability to the UK, we have not been able to do so.

Post my appointment in 2014, we made good initial progress to improve the product proposition, store presentation and our online proposition, which culminated in both consistent sales growth and margin growth over a 3.5-year period, with UK losses steadily falling from over £20m per year to £4m in 2017. In the first half of 2017, the UK business made its first operating profit in over seven years; however, this was short-lived as, in the second half of the year, we saw a sharp downturn in both customer footfall and consumer confidence.

Over this period of time, we had restructured the UK business both in terms of reducing the central cost base by circa 25% and reduced the retail store estate from c.250 stores down to c.140, whilst growing sales through the digital channel to c.50% of turnover. In spite of these cost reductions, the operational costs were still too highly geared when facing into a consumer downturn. The simple fact was that sales had to remain flat or show some growth alongside a stable gross margin for the UK business to be able to have a trajectory to breakeven.

From a product perspective, MUK provided c70% of the UK's shop floorspace for most of the well-known brands in the baby category. The margin and the contribution from these brands reduced over time and, ultimately, it was not enough to cover the occupancy cost or indeed the people costs of running the UK retail estate.

Whilst Mothercare-designed and sourced product achieved a higher margin, the floorspace was simply too big to fill with Mothercare product alone. To compound the margin pressure, the branded product became subject to severe competition and, with that, more aggressive discounting that, if not matched, would lead to further deterioration in sales. Exclusive branded product was the only answer to combat this and, whilst many of the brands increased their levels of exclusivity, it only rose to c.50% overall. The balance of their products could be bought elsewhere and often sold by others as a loss leader at zero margin. Unfortunately, the brands were not prepared to provide further contribution to offset the loss of margin or indeed higher levels of exclusivity to combat the discounting in the market.

In 2018, faced with a consumer outlook that was far from certain and a requirement to reduce the cost base further, we refinanced and launched a series of CVAs to take the UK store estate down to 80 stores. This reduction was part of our planned transformation strategy; although it was due to take four years through natural lease expiry. Through the CVA process, the store estate was reduced in just six months.

On this lower store base and reduced cost, we had hoped the UK business could stabilise; however, as we reduced the store estate, we did not see sufficient trade transfer to the remaining stores or move online. As consumers watched their local stores close, we struggled with the misperception that Mothercare in its entirety had gone out of business. Given the cash constraints of the business through 2018, we were unable to launch an effective marketing campaign to address that misperception and promote the Mothercare brand as a going concern in the UK.

Throughout 2018 and into 2019, the UK market remained very challenging and the margin structure, which was already under pressure, showed no sign of improving in the medium term. In simple terms, the occupancy cost and labour costs of UK retail could not be offset by the margin through the till.

As a board, we concluded that the only future for the Mothercare brand in the UK was as a franchise, operating in the same fashion as all of our other territories around the world. We further recognised that the ideal franchise partner for our brand would be an established UK retailer that could provide adequate floor space and an online presence, and importantly existing footfall of a similar customer profile.

Finally, from a strategic perspective, we knew that the effort and energy that were being expended on fixing the conundrum of UK retailing would be better served on our global ambitions and building the Mothercare brand and proposition around the world. The facts are straightforward: there are 130 million babies born every year in the world, yet only 700k in the UK; whilst the UK is important to our brand and its heritage, it is certainly not the future growth engine of our Group.

New UK franchise

We are still engaged in discussions with regards to establishing a franchise of Mothercare in the UK. We will make an announcement in due course.

Mothercare international franchise business trading performance

During the half year, we have seen continued strong growth in our key international markets of India, Indonesia and Russia whilst we have experienced some difficult trading conditions in the Middle East and China.

With 59 new stores opened in the half and 104 closures resulting, we were net 45 fewer stores, resulting in a total of 965 stores across our international markets. These changes were predominantly driven by right sizing the store estate moving from smaller to larger units. In India we opened 11 stores in the first half including a new flagship store in Mumbai. 32 new stores have opened in India in the past 12 months with our new partner there.

Sales from online operations grew by 10% in constant currency with the biggest growth coming from the Middle East at 120% and India at 38%. We still see significant opportunity to grow online sales around the world with our partners as the overall mix of sales is still only 5%.

Singular focus on building the Mothercare Global brand

Our future is singularly focussed on developing and growing the global brand of Mothercare, operating through MGB.

Management is concentrating efforts on supporting and developing the relationship with our existing franchise partners, with particular focus on improving the product and brand in their territories. We recognise that there are opportunities to improve the online presence and sales in all of the major markets where we trade, and to support our franchise partners to better tune our product offer to their floor space.

Historically we have supplied our partners with product that had been designed and targeted for the UK consumer, making small adjustments for our international markets. Clearly, this is not the right approach for a global brand. In 2019, we overhauled our approach to design and range development. We now design our product with the global consumer front-of-mind.

An example of the new approach to design and range development has been the production of a diffusion offer, which will be available to sell at a lower price point thus allowing our partners to break into tier 2 and tier 3 cities. This range will have approximately 400 lines and will initially be available in India with our franchise partner, Reliance Retail Brands, who will offer the product in their Trends fashion stores in a shop in shop format. This will be initially launching in January 2020 across 30 stores but with the potential to roll out to other Trends stores of which there are over 500 across India.

Opportunities for growth beyond the existing territories

As previously noted, the birth rate around the world is c130 million live births per annum. We estimate that 30 million babies are born each year into households where there is a sufficient income level to afford the Mothercare brand. Of the top ten territories by wealth and birth rate, the Mothercare brand is only available in three of them today. For example, we have no presence in the USA, Japan, Australia or Brazil. Closer to home, we have no outlet or online presence in any of the bigger European economies, namely Germany, France, the Netherlands or Scandinavia. We, therefore, see great potential for the Mothercare brand beyond its existing global footprint.

Board changes

We are also announcing today the appointment of Brian Small to the board as independent non-executive director and chair of the Audit and Risk Committee.

Brian brings a wealth of experience and is an independent non-executive director and Chair of the Audit Committee at Boohoo plc and Audit Chair and trustee of the Retail Trust. He was most recently CFO of JD Sports plc for nearly 15 years. Prior to that role he was Operations Finance Director at Intercare Group Plc and has also been Finance Director of a number of other companies.

After six years on the Board, Nick Wharton, having returned to full-time executive employment as Group CFO of Pepco Group, indicated to the board his desire to step down as a non-executive director earlier this summer. This notice has allowed a measured recruitment process, culminating in the appointment of Brian Small and an appropriate handover to be completed prior to Nick stepping down from the Board at the end of the 2019 calendar year.

This notification is made pursuant to Listing Rule 9.6.11.

There are no further matters to be disclosed under LR 9.6.13.

Mark Newton-Jones
Chief Executive Officer

Condensed consolidated income statement

For the 28 weeks ended 12 October 2019

	Note	**28 weeks ended 12 October 2019 (Unaudited)** Before adjusted items	Adjusted items [1]	Total	28 weeks ended 6 October 2018 (Unaudited) Before adjusted items *Restated**	Adjusted items [1] *Restated**	Total *Restated**	53 weeks ended 30 March 2019 (Audited) Total
		£ million	**£ million**	**£ million**	£ million	£ million	£ million	£ million
Continuing operations								
Revenue		**234.1**	**-**	**234.1**	269.8	-	269.8	513.8
Cost of sales		**(214.0)**	**0.2**	**(213.8)**	(261.1)	0.5	(260.6)	(495.5)
Gross profit		**20.1**	**0.2**	**20.3**	8.7	0.5	9.2	18.3
Administrative expenses		**(19.1)**	**(19.0)**	**(38.1)**	(16.4)	(6.3)	(22.7)	(76.9)
Profit/(loss) from operations		**1.0**	**(18.8)**	**(17.8)**	(7.7)	(5.8)	(13.5)	(58.6)
Net finance costs	5	**(6.8)**	**3.4**	**(3.4)**	(2.8)	(2.2)	(5.0)	(8.0)
Loss before taxation		**(5.8)**	**(15.4)**	**(21.2)**	(10.5)	(8.0)	(18.5)	(66.6)
Loss before taxation and foreign currency revaluations		***(6.9)***	***(15.4)***	***(22.3)***	*(0.7)*	*(16.1)*	*(16.8)*	*(67.7)*
Foreign currency adjustments		***1.1***	***-***	***1.1***	*(1.1)*	*0.6*	*(0.6)*	*1.1*
Loss before taxation		***(5.8)***	***(15.4)***	***(21.2)***	*(10.5)*	*(8.0)*	*(18.5)*	*(66.6)*
Taxation	6	**(0.1)**	**-**	**(0.1)**	(1.8)	(0.2)	(2.0)	(0.9)
Loss for the period from continuing operations		**(5.9)**	**(15.4)**	**(21.3)**	(12.3)	(8.2)	(20.5)	(67.5)
Discontinued operations								
Profit/(loss) for the period from discontinued operations		**1.0**	**1.1**	**2.1**	5.2	(0.3)	4.9	(25.9)
Loss for the period attributable to equity holders of the parent		**(4.9)**	**(14.3)**	**(19.2)**	(7.1)	(8.5)	(15.6)	(93.4)
Earnings per share from continuing and discontinued operations								
Basic	7	**(1.4)p**		**(5.5)p**	(3.1)p		(6.7)p	(33.1)p
Diluted	7	**(1.4)p**		**(5.5)p**	(3.1)p		(6.7)p	(33.1)p
Earnings per share from continuing operations								
Basic	7	**(1.7)p**		**(6.2)p**	(5.0)p		(8.5)p	(23.8)p
Diluted	7	**(1.7)p**		**(6.2)p**	(5.0)p		(8.5)p	(23.8)p

* The comparative numbers have been reclassified for the discontinued operations of the Early Learning Centre.

(1) Includes adjusted costs (property costs, restructuring costs and impairment charges), the fair value movement on embedded derivatives, and costs related to the disposal of the Early Learning Centre (ELC) trade and specified assets. 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.

See glossary for definitions.

Condensed consolidated statement of comprehensive income

For the 28 weeks ended 12 October 2019

	28 weeks ended 12 October 2019 (Unaudited)	28 weeks ended 6 October 2018 (Unaudited)	53 weeks ended 30 March 2019 (Audited)
	£ million	£ million	£ million
Loss for the period	**(19.2)**	(15.6)	(93.4)
Items that will not be reclassified subsequently to the income statement:			
Actuarial gain on defined benefit pension schemes	**7.7**	11.7	1.6
Income tax relating to items not reclassified	**-**	0.4	0.2
	7.7	12.1	1.8
Items that may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations	**(0.4)**	(0.7)	0.1
Cash flow hedges: (losses)/gains arising in the period	**(1.5)**	11.4	12.9
Deferred tax on cash flow hedges	**-**	(0.8)	(0.6)
	(1.9)	9.9	12.4
Other comprehensive income for the period	**5.8**	22.0	14.2
Total comprehensive expense for the period wholly attributable to equity holders of the parent	**(13.4)**	6.4	(79.2)

Condensed consolidated balance sheet

As at 12 October 2019

	Note	12 October 2019 (Unaudited) £ million	6 October 2018 (Unaudited) £ million	30 March 2019 (Unaudited) £ million
Non-current assets				
Goodwill		**-**	**26.8**	-
Intangible assets		**14.6**	**37.2**	16.3
Property, plant and equipment	8	**17.4**	**45.0**	27.7
Right of use assets		**48.7**	**-**	**-**
Deferred tax asset	6	**-**	**2.9**	**-**
		80.7	**111.9**	44.0
Current assets				
Inventories		**65.3**	**88.3**	66.8
Trade and other receivables		**44.0**	**47.5**	45.9
Cash and cash equivalents	9	**-**	**8.9**	16.3
Derivative financial instruments	11	**-**	**2.4**	1.5
Assets held for Sale		**-**	**-**	0.5
		109.3	**147.1**	131.0
Total assets		**190.0**	**259.0**	175.0
Current liabilities				
Trade and other payables		**(94.2)**	**(115.5)**	(102.6)
Borrowings	9	**-**	**-**	(11.5)
Lease liabilities		**(20.5)**	**-**	**-**
Bank overdrafts		**(3.3)**	**-**	**-**
Current tax liabilities		**(0.3)**	**(0.8)**	(0.7)
Derivative financial instruments	11	**-**	**-**	-
Provisions		**(8.0)**	**(23.6)**	(21.8)
		(126.3)	**(139.9)**	(136.6)
Non-current liabilities				
Trade and other payables		**-**	**(15.4)**	(14.8)
Borrowings	9	**(21.2)**	**(30.4)**	(11.7)
Lease liabilities		**(88.9)**	**-**	-
Derivative financial instruments	11	**(1.3)**	**(4.7)**	(4.8)
Retirement benefit obligations	10	**(11.2)**	**(18.6)**	(24.9)
Provisions		**(3.3)**	**(11.5)**	(31.6)
		(125.9)	**(80.6)**	(87.8)
Total liabilities		**(252.2)**	**(220.5)**	(224.4)
Net (liabilities)/assets		**(62.2)**	**38.5**	(49.4)
Equity attributable to equity holders of the parent				
Share capital		**87.1**	**87.1**	87.1
Share premium account		**88.9**	**88.9**	88.9
Own shares		**(1.1)**	**(1.1)**	(1.1)
Translation reserve		**(2.2)**	**(2.6)**	(1.8)
Hedging reserve		**-**	**2.0**	1.3
Retained deficit		**(234.9)**	**(135.8)**	(223.8)
Total equity		**(62.2)**	**38.5**	(49.4)

Condensed consolidated statement of changes in equity

For the 28 weeks ended 12 October 2019 (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 30 March 2019	87.1	88.9	(1.1)	(1.8)	1.3	(223.8)	(49.4)
Other comprehensive (expense)/income for the period	-	-	-	(0.4)	(1.5)	7.7	5.8
Loss for the period	-	-	-	-	-	(19.2)	(19.2)
Total comprehensive expense for the period	**-**	**-**	**-**	**(0.4)**	**(1.5)**	**(11.5)**	**(13.4)**
Charge to equity for equity-settled share-based payments	-	-	-	-	-	0.6	0.6
Deferred tax on share-based payments	-	-	-	-	0.2	(0.2)	-
Balance at 12 October 2019 (unaudited)	**87.1**	**88.9**	**(1.1)**	**(2.2)**	**-**	**(234.9)**	**(62.2)**

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.

Condensed consolidated statement of changes in equity

For the 53 weeks ended 30 March 2019 (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 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
Items that will not be reclassified subsequently to the income statement	-	-	-	-	-	1.8	1.8
Items that will be reclassified subsequently to the income statement	-	-	-	0.1	12.3	-	12.4
Other comprehensive (expense)/income for the period	-	-	-	0.1	12.3	1.8	14.2
Loss for the period	-	-	-	-	-	(93.4)	(93.4)
Total comprehensive income/(expense) for the period	**-**	**-**	**-**	**0.1**	**12.3**	**(91.6)**	**(79.2)**
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	-	-	-	-	(1.6)	-	(1.6)
Balance at 30 March 2019 (unaudited)	**87.1**	**88.9**	**(1.1)**	**(1.8)**	**1.3**	**(223.8)**	**(49.4)**

* Restated for the adoption of IFRS 15 and IFRS 9.

Condensed consolidated cash flow statement

For the 28 weeks ended 12 October 2019

	Note	**28 weeks ended 12 October 2019 (Unaudited)**	28 weeks ended 6 October 2018 (Unaudited) *Restated**	53 weeks ended 30 March 2019 (Audited)*
		£ million	£ million	£ million
Net cash flow from operating activities – continuing operations	13	**(7.6)**	(7.4)	1.0
Net cash flow from operating activities – discontinued operations		**2.1**	4.4	0.4
Cash flows from investing activities				
Purchase of property, plant and equipment		**(0.4)**	(11.5)	(5.9)
Purchase of intangibles – software		**(1.4)**	(2.8)	(6.4)
Proceeds from sale of property, plant and equipment		**0.5**	1.9	14.5
Interest received		**0.2**	-	0.1
Net cash used in investing activities – continuing operations		**(1.1)**	(12.4)	2.3
Net cash generated from investing activities – discontinued operations		**6.5**	-	6.0
Cash flows from financing activities				
Issue of share capital		**-**	32.5	32.5
Expenses of share issue		**-**	(2.9)	(2.9)
Shareholder loans		**-**	8.0	8.0
Interest paid		**(5.1)**	(0.8)	(3.6)
Repayments of obligations under leases		**(10.6)**	-	-
Repayment of facility		**(6.0)**	(20.5)	(61.5)
Drawdown of facility		**3.0**	3.0	36.0
Payment of facility fee		**-**	(0.7)	(0.7)
Net cash raised in financing activities – continuing operations		**(18.7)**	18.6	7.8
Net cash raised in financing activities – discontinued operations		**(0.1)**	(0.3)	(0.5)
Net (decrease)/increase in cash and cash equivalents		**(18.9)**	9.4	17.0
Cash and cash equivalents/(overdraft) at beginning of period		**16.3**	(1.6)	(1.6)
Effect of foreign exchange rate changes		**(0.7)**	1.1	0.9
Net (overdraft)/cash and cash equivalents at end of period		**(3.3)**	8.9	16.3

* The comparative numbers have been reclassified for the discontinued operations of the Early Learning Centre. Cashflows for the disposal proceeds have been classified as cash generated from investing activities.

Notes to the condensed consolidated financial statements

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 Chief Executive's review and the Financial review.

The results for the 28 weeks ended 12 October 2019 are unaudited.

These unaudited 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 possibility of a more significant and prolonged decline in trading performance, and a dependence on future cost or cash management programmes.

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 2019. The financial period represents the 28 weeks ended 12 October 2019. The comparative periods are the 28 weeks ended 6 October 2018 and the 53 weeks ended 30 March 2019.

Going concern

On 4 November 2019, Mothercare plc announced a Notice of Intent to appoint Administrators to Mothercare UK Limited, the main trading subsidiary of the Mothercare plc Group. On 5 November 2019, PricewaterhouseCoopers LLP ("PwC") were appointed as administrators of Mothercare UK Limited, and Mothercare Business Services Limited - the shared services operation for the Mothercare plc Group.

Subsequently an agreement was entered such that Mothercare Global Brand Limited (a newly incorporated entity), purchased the 'Mothercare' brand, contracts Mothercare UK Limited held with its incumbent franchise partners, and certain assets from PwC in exchange for certain liabilities including, but not limited to, two defined benefit pension schemes.

As a condition of this transfer there are conditions contained in the transfer agreement which stipulate that cash generated through the administration process will be used to repay the Group's Revolving Credit Facility.

The Basis of preparation for the Going Concern review excludes the impact of the administration of Mothercare UK Limited. A new Group base case forecast has been produced based on: £3.2m of new shareholder funds raised on 5 November 2019; £5.5m of Shareholder loans agreed on 14 November 2019; Mothercare Global Brand's trading activities i.e. the International Franchise business; and the Group's remaining operational and central cost base.

Notes to the condensed consolidated financial statements

2 Accounting Policies and Standards (continued)

Going concern (continued)

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 volatility in our key International markets and disruption caused to the supply chain as a result of the administration of Mothercare UK Limited. This indicates that the Group will generate sufficient operational cash flow to meet all its contractual financial commitments for the duration of the Going Concern review period.

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.

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 53 weeks ended 30 March 2019, with the exception of IFRS 16 'Leases' for which the 52 week period ending 28 March 2020 will be the Group's first period of application. IFRS 16 has therefore been applied in these interim financial statements for the period ended 12 October 2019.

IFRS 16 'Leases' requires lessees to recognise a right of use asset, and a lease liability for future lease payables for all leases unless the underlying asset is of immaterial value or the lease term is less than one year. Instead of the rental expense, depreciation of the right of use asset on a straight line basis, and interest accruing on the lease liability, are recognised in the income statement.

There was no impact on brought forward reserves as a result of the transition to accounting under this standard.

At the point of transition, lease liabilities of £120.0 million were created alongside corresponding right-of-use assets of £62.7 million.

The Group has elected to rely on its assessment of whether or not a lease is onerous under IAS 37: Provisions, Contingent Assets, and Contingent Liabilities immediately before the date of initial application, and included an adjustment to the right-of-use asset in accordance with this. At 12 October 2019, management performed an impairment review, and an additional £8.0 million of right-of-use assets were subsequently impaired.

Standard issued but not yet effective

There are no standards issued but not yet effective that have been identified as expected to have a material impact on the disclosures or the amounts reported in these financial statements.

Foreign currency adjustments

Foreign currency monetary assets and liabilities are revalued to the closing balance sheet rate under IAS21 "The Effects of Changes in Foreign Exchange Rates".

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.

Notes to the condensed consolidated financial statements

2 Accounting Policies and Standards (continued)

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.

Discontinued operations

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

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.

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.

Notes to the condensed consolidated financial statements

2 Accounting Policies and Standards (continued)

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 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 measure of profit/(loss) before taxation and foreign currency revaluations is used 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.

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

Notes to the condensed consolidated financial statements

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 Global, UK, and Business Services.

The Global business comprises the Group's franchise and wholesale revenues outside of the UK as well as audit and company secretarial costs for the Group. The UK segment comprises the Group's UK store and wholesale operations, catalogue and web sales. The Business services segment provides services comprising IT, transactional finance and HR to the Global and UK operations, receiving a mark-up on recharges.

				28 weeks ended 12 October 2019 (Unaudited)
	Global £ million	**UK £ million**	**Business services £ million**	**Consolidated £ million**
Revenue				
Reported sales	**102.3**	**131.8**	**-**	**234.1**
Segment result (before adjusted items*)	**12.8**	**(11.7)**	**0.6**	**1.7**
Share-based payments expense	**(0.4)**	**(0.3)**	**-**	**(0.7)**
Adjusted costs	**(1.4)**	**(17.4)**	**-**	**(18.8)**
Profit/(loss) from operations	**11.0**	**(29.4)**	**0.6**	**(17.8)**
Finance costs (including adjusted item credit of £3.4 million)				**(3.4)**
Loss before taxation				**(21.2)**
Taxation				**(0.1)**
Loss for the period from continuing operations				**(21.3)**
Profit on discontinued operations				**2.1**
Loss for the period from continuing and discontinued operations				**(19.2)**

*See glossary for definitions.

				28 weeks ended 6 October 2018 (Unaudited) restated*
	Global £ million	UK £ million	Business services £ million	Consolidated £ million
Revenue				
Reported sales	106.6	163.1	-	269.8
Segment result (before adjusted items**)	14.8	(19.5)	-	(4.7)
Share-based payments credit	0.6	0.4	-	1.0
Non-cash foreign currency adjustments (adjusted item)	(2.1)	(1.4)	-	(3.5)
Adjusted costs	(2.7)	(3.6)	-	(6.3)
Profit/(loss) from operations	10.6	(24.1)	-	(13.5)
Finance cost (including adjusted item charge of £2.2 million)				(5.0)
Loss before taxation				(18.5)
Taxation				(2.0)
Loss for the period				(20.5)
Profit on discontinued operations				4.9
Loss for the period from continuing and discontinued operations				(15.6)

*Segmental reporting has been restated in line with the revised operational structure of the Group from 31 March 2019. Business services did not exist as a function prior to H1 FY19/20, therefore no costs or revenues have been allocated to this segment.
**See glossary for definitions.

Notes to the condensed consolidated financial statements

3 Segmental information (continued)

	53 weeks ended 30 March 2019 (Audited) restated*			
	Global £ million	UK £ million	Business services £ million	Consolidated £ million
Revenue				
Reported sales	214.2	299.6	-	513.8
Segment result (before adjusted items**)	27.0	(40.9)	-	(13.9)
Share-based payments credit	0.5	0.3	-	0.8
Non-cash foreign currency adjustments (adjusted item)	(0.5)	(0.4)	-	(0.9)
Amortisation of intangible assets (adjusted item)	-	-	-	-
Adjusted costs	(7.9)	(36.7)	-	(44.6)
Profit/(loss) from operations	19.2	(77.8)	-	(58.6)
Finance costs (including adjusted item of £2.7 million)				(8.0)
Loss before taxation				(66.6)
Taxation				(0.9)
Loss for the period				(67.5)
Loss on discontinued operations				(25.9)
Loss for the period from continuing and discontinued operations				(93.4)

*Segmental reporting has been restated in line with the revised operational structure of the Group from 31 March 2019. Business services did not exist as a function prior to H1 FY19/20, therefore no costs or revenues have been allocated to this segment.
**See glossary for definitions.

4 Adjusted items

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

	28 weeks ended 12 October 2019 (Unaudited) £ million	28 weeks ended 6 October 2018 (Unaudited) Restated* £ million	53 weeks ended 30 March 2019 (Audited) £ million
Adjusted costs:			
Restructuring income/(costs) included in cost of sales	**0.2**	-	(0.2)
Property related (costs)/income included in administrative expenses	**(17.2)**	5.3	(31.8)
Other restructuring costs included in administrative expenses	**(1.8)**	(11.5)	(12.6)
Restructuring income/(costs) included in finance costs	**3.4**	(2.2)	(2.7)
Total adjusted costs:	**(15.4)**	(8.5)	(47.3)
Other adjusted items:			
Non-cash foreign currency adjustments under IAS 39 and IAS 21 included in cost of sales	**-**	0.5	(0.9)
Adjusted items before tax	**(15.4)**	(8.0)	(48.2)

* The comparative numbers have been reclassified for the discontinued operations of the Early Learning Centre.

Restructuring costs included in cost of sales

£0.2m of restructuring income was included in cost of sales in the current period, reflecting costs in relation to the stores restructuring, which were previously based on best estimates, to be accurately recorded; the credit in the period therefore represents a correction to actual invoices received.

Notes to the condensed consolidated financial statements

4 Adjusted items (continued)

Property related (costs)/income included in administrative expenses

During the 28 weeks ended 12 October 2019, costs of £17.2m were recognised. This comprised:

Onerous lease provisions – £1.1m charge (H1 FY18/19: credit of £17.7 million)

Provisions for onerous leases are recognised when the Group believes that the unavoidable costs of meeting or exiting the lease obligations exceed the economic benefits expected to be received under the lease; for this reporting period, this excludes any impairment to the right-of-use assets due to rental costs exceeding cash inflows.

In the year ended 24 March 2018, a significant provision was created in respect of onerous leases due to the declining performance of UK stores. Subsequently, the Company Voluntary Arrangements ("CVAs") were approved. The resulting planned closure of a number of significantly loss-making stores meant that the provision in relation to these stores was no longer required past the planned closure date and therefore there was a large reduction in the provision at H1 FY18/19.

Store impairment charges - £14.9 million charge (H1 FY2018/19: £5.8 million charge)
The store impairment charge reflects the impairment of property, plant and equipment, and right of use assets due to 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 - £1.2 million charge (H1 FY2018/19: £6.6 million charge)

The store closure provision charge relates to provision for the exit of certain of the Group's leasehold properties.

The Group considers that these costs 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.

Other restructuring costs included in administrative expenses

The 28 weeks ended 12 October 2019 saw £1.8 million of advisor fees being incurred in relation to the strategic transformation programme. Further information regarding the culmination of this programme is included in the post balance sheet events disclosure in note 15.

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

Refinancing costs - £6.3 million
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
During the comparative period the Group announced that its sourcing operation would be outsourced. A provision was therefore made in respect of redundancy costs, advisor fees, and lease termination costs.

Notes to the condensed consolidated financial statements

4 Adjusted items (continued)

Restructuring costs included in finance costs

As part of the refinancing carried out during H1 FY18/19, 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 a £3.4m credit (H1 FY18/19: £1.8 million charge) 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 during H1 FY2018/19.

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.

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.

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.

Adjusted items on discontinued operations £1.1 million credit (H1 FY18/19: £0.3 million charge)

Adjusted items on discontinued operations comprise a £1.1m credit relating to the true-up of stock on the cessation of trade (H1 FY18/19: £0.3 million charge, relating to the amortisation of goodwill on the ELC brand).

5 Net finance costs

	28 weeks ended 12 October 2019 (Unaudited) £ million	28 weeks ended 6 October 2018 (Unaudited) Restated* £ million	53 weeks ended 30 March 2019 (Audited) £ million
Interest on pension liabilities/return on assets	**0.3**	0.5	0.9
Interest expense on lease liabilities	**4.4**	-	-
Fair value movement on embedded derivatives	**(3.4)**	1.7	1.7
Other net interest	**2.1**	2.8	5.4
Net finance costs	**3.4**	5.0	8.0

* The comparative numbers have been reclassified for the discontinued operations of the Early Learning Centre.

6 Taxation

	28 weeks ended 12 October 2019 (Unaudited) £ million	28 weeks ended 6 October 2018 (Unaudited) £ million	53 weeks ended 30 March 2019 (Audited) £ million
Current tax - Overseas tax and UK corporation tax	**-**	2.0	0.8
Deferred tax - UK tax charge/(credit) for temporary differences	**0.1**	-	0.1
Total tax charge/(credit)	**0.1**	2.0	0.9

A deferred tax asset of £nil (H1 FY18/19: £2.9 million) has been recognised in the financial statements at the balance sheet date, reflecting the extent to which the realisation of the related tax benefit is probable.

Notes to the condensed consolidated financial statements

7 Earnings per share

	28 weeks ended 12 October 2019 (Unaudited) million	28 weeks ended 6 October 2018 (Unaudited) Restated* million	53 weeks ended 30 March 2019 (Audited) million
Weighted average number of shares in issue for the purpose of basic earnings per share	**340.8**	231.7	285.5
Dilution – option schemes	**3.7**	24.2	28.0
Weighted average number of shares in issue for the purpose of diluted earnings per share	**344.5**	255.9	311.5

	(Unaudited) £ million	(Unaudited) £ million	(Audited) £ million
Loss for basic and diluted earnings per share	**(21.3)**	(20.5)	(67.5)
Adjusted items (note 4)	**15.4**	8.0	48.2
Tax effect of adjusted items	**-**	0.2	(0.9)
Adjusted losses from continuing operations	**(5.9)**	(12.3)	(20.2)

	(Unaudited) £ million	(Unaudited) £ million	(Audited) £ million
Loss for basic and diluted earnings per share	**(19.2)**	(15.6)	(93.4)
Adjusted items (note 4)	**14.3**	8.2	78.7
Tax effect of adjusted items	**-**	0.3	(1.3)
Adjusted losses from continuing and discontinued operations	**(4.9)**	(7.1)	(16.0)

From continuing operations	**(Unaudited) Pence**	(Unaudited) Pence Restated*	(Audited) Pence
Basic losses per share	**(6.2)**	(8.5)	(23.8)
Basic adjusted losses per share	**(1.7)**	(5.0)	(7.1)
Diluted losses per share	**(6.2)**	(8.5)	(23.8)
Diluted adjusted losses per share	**(1.7)**	(5.0)	(7.1)

From continuing and discontinued operations	**(Unaudited) Pence**	(Unaudited) Pence	(Audited) Pence
Basic losses per share	**(5.5)**	(6.7)	(33.1)
Basic adjusted losses per share	**(1.4)**	(3.1)	(5.6)
Diluted losses per share	**(5.5)**	(6.7)	(33.1)
Diluted adjusted losses per share	**(1.4)**	(3.1)	(5.6)

The total dividend for the period is nil pence per share (H1 FY18/19: nil pence per share).

8 Property, plant and equipment

Capital additions of £1.8 million were made during the period (H1 FY18/19: £4.7 million). Disposals in the period were £nil million net book value (H1 FY18/19: £0.8 million net book value, mainly relating to the store closure programme).

9 Net debt

As at 12 October 2019, the Group had drawn down £21.5 million (H1 FY18/19: £25.0 million) of the Revolving Credit Facility ("RCF"), consisting of a loan of £14.0 million and an overdraft of £7.5 million. The RCF attracts an interest rate of 4.5% above LIBOR. The Group also held £4.2 million of cash and cash equivalents (H1 FY18/19: £8.9 million).

The Group holds unsecured convertible shareholder loans. As the shareholder loans provide an opportunity to convert the loans into ordinary shares of the Company at specified dates, they are held at amortised cost (£7.2 million at 12 October 2019; £5.4 million at 6 October 2018), with the option to convert fair valued and treated as an embedded derivative (see note 11). The shareholder loans attract a monthly compound interest rate of 0.83%.

At 12 October 2019, net debt was £24.5 million (H1 FY18/19: £21.5 million).

Notes to the condensed consolidated financial statements

10 Retirement benefit schemes

The Group has calculated the value of its pension liability under IAS 19 as at 12 October 2019. The FY18/19 year end assumptions have been rolled forward, and updated for changes in market rates over the current interim period.

For the two 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 £11.2 million (H1 FY18/19: £18.6 million) has been recognised. This represents a material decrease year-on-year, primarily as a result of a fall in the discount rate assumption, partially offset by an increase in long term inflation expectations.

11 Financial instruments: fair value disclosures

The Group held the following financial instruments at fair value at 12 October 2019.

	Fair value measurements at 12 October 2019 (Unaudited) £ million	Fair value measurements at 6 October 2018 (Unaudited) £ million	Fair value measurements at 30 March 2019 (Audited) £ million
Non-current financial liabilities:			
Derivative financial instruments:			
Embedded derivative arising on shareholder loans	**(1.3)**	(4.7)	(4.8)
Current financial assets:			
Derivative financial instruments:			
Forward foreign currency contracts	**-**	2.4	1.5
Current financial liabilities:			
Derivative financial instruments:			
Forward foreign currency contracts	**-**	-	-
	(1.3)	(2.3)	(3.3)

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.

The Group holds certain shareholder loans which provide an opportunity for conversion to equity of the Company at specified dates they are accounted for at amortised cost (£7.2 million at 12 October 2019; £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.

Notes to the condensed consolidated financial statements

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 charge for share-based payments under IFRS 2 is £(0.6) million (H1 FY18/19: £1.0 million credit) of which a charge of £0.5 million relates to schemes that will be equity settled (H1 FY18/19: £0.1 million). The prior period credit arose due to a reduction in the number of shares that were expected to vest.

13 Notes to the cash flow statement

	28 weeks ended 12 October 2019 (Unaudited) £ million	28 weeks ended 6 October 2018 (Unaudited) *Restated** £ million	53 weeks ended 30 March 2019 (Audited) £ million
Loss from continuing operations	**(17.8)**	(13.5)	(58.6)
Adjustments for:			
Depreciation of property, plant and equipment and right of use assets	**10.2**	6.7	9.8
Amortisation of intangible assets	**2.7**	4.9	10.5
Impairment of property, plant and equipment and intangible assets	**14.8**	5.4	29.9
Loss/(profit) on disposal of property, plant and equipment and intangible assets	**-**	0.8	(9.1)
(Profit)/loss on non-cash foreign currency adjustments	**(1.7)**	2.2	2.6
Share-based payments	**0.6**	(1.0)	(0.8)
Movement in provisions	**(4.2)**	(18.5)	(0.2)
Amortisation of lease incentives	**(0.1)**	(2.3)	(7.9)
Lease incentives received	**0.6**		1.0
Payments to retirement benefit schemes	**(8.2)**	(10.4)	(14.4)
Charge in respect of retirement benefit schemes	**1.9**	2.5	2.3
Operating cash flow before movement in working capital	**(1.2)**	(23.2)	(34.9)
(Increase)/decrease in inventories	**(3.7)**	1.2	28.9
Decrease in receivables	**6.7**	13.9	20.1
(Decrease)/increase in payables	**(8.6)**	3.3	(10.3)
Foreign exchange gains arising on working capital	**(0.7)**	(3.0)	(1.7)
Cash (used in)/generated from operations	**(7.5)**	(7.8)	2.1
Income taxes (paid)/received	**(0.1)**	0.4	(1.1)
Net cash outflow from operating activities – continuing operations	**(7.6)**	(7.4)	1.0
Net cash inflow from operating activities – discontinued operations	**2.1**	4.4	0.4

* The comparative numbers have been reclassified for the discontinued operations of the Early Learning Centre.

Analysis of net debt

	30 March 2019 £ million	Cash flow £ million	Foreign exchange £ million	Non–cash movements[1.] £ million	**12 October 2019 £ million**
Cash and cash equivalents	16.3	(11.4)	(0.7)	-	4.2
Bank overdrafts	-	(7.5)	-	-	(7.5)
Net cash and cash equivalents	16.3	(18.9)	(0.7)	-	(3.3)
Borrowings - Banks	(17.0)	3.0	-	-	(14.0)
Borrowings - Shareholder loans	(6.2)	-	-	(1.0)	(7.2)
Net debt	**(6.9)**	**(15.9)**	**(0.7)**	**(1.0)**	**(24.5)**

1. Non-cash movements comprise £1.0 million of interest accrued on the shareholder loans.

Notes to the condensed consolidated financial statements

14 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 - continuing £ million	Revenue from related parties - discontinued £ million	Amounts owed by related parties (net of provisions) £ million
28 weeks ended 12 October 2019 (unaudited)	0.2	-	-
28 weeks ended 6 October 2018 (unaudited)	0.8	-	1.0
53 weeks ended 30 March 2019 (audited)	1.3	0.1	1.0

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 £2.0 million (H1 FY18/19: £1.0 million) exists for doubtful debts in respect of the amounts owed by Ukraine.

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

15 Post balance sheet events

Administration of Mothercare UK Limited and Mothercare Business Services Limited

On 4 November 2019, Mothercare plc announced a Notice of Intent to appoint Administrators to Mothercare UK Limited, the main trading subsidiary of the Mothercare plc Group.
On 5 November 2019, PricewaterhouseCoopers LLP ("PwC") were appointed as administrators of Mothercare UK Limited, and Mothercare Business Services Limited - the shared services operation for the Mothercare plc Group.

Transfer to Mothercare Global Brand Limited

On 4 October 2019, Mothercare Global Brand Limited, a fully-owned subsidiary of Mothercare plc, was incorporated in the United Kingdom.
On 5 November 2019, after Mothercare PLC had appointed PwC as administrators of the two above subsidiaries, an agreement was entered into such that Mothercare Global Brand Limited, purchased the 'Mothercare' brand, contracts Mothercare UK Limited held with its incumbent franchise partners, and certain assets from PwC in exchange for certain liabilities including, but not limited to, two s75 defined benefit pension scheme liabilities.

As a condition of this transfer there are terms contained in the transfer agreement which stipulate that cash generated through the administration process will be used to repay the Group's Revolving Credit Facility; this was therefore subsequently de-recognised. The Group has a commitment to pay additional consideration to PwC in the event that there is any shortfall otherwise preventing PwC from repaying the secured creditors in full.

The assets acquired by Mothercare Global Brand Limited were limited to certain items of property, plant and equipment, and trade debtors. All inventories held at the reporting date, as well as all UK store leases, were not included in the transfer to Mothercare Global Brand Limited, with control of these assets being lost through the administration.

Post balance sheet, operations included in the reportable segments of 'UK' and 'Business Services' were discontinued.

Notes to the condensed consolidated financial statements

15 Post balance sheet events (continued)

Issue of share capital and convertible unsecured lending

An equity placing was made on 5 November 2019, consisting of 32,359,450 ordinary 1p shares at 10p each, and raising gross proceeds of £3.2 million.

The Group's broker Numis has underwritten an amount of up to £20.0 million for an optional equity raise in January 2020.

On 14 November 2019, four shareholders signed agreements with Mothercare plc to provide unsecured lending in the form of a loan, containing the option for equity conversion at the election of the lenders, thereby raising total finance of £5.5 million. Simultaneously, the pre-existing shareholder loan agreements, which had been signed on 17 May 2018, were impacted such that the conversion price, previously 19 pence, was amended to 10 pence – this resulted in an increase in the value of the embedded derivative.

Proforma view of the continuing business

The following proforma shows what the estimated theoretical impact of the above post balance sheet events would have been, if they had occurred on 12 October 2019.

The approach used for the proforma assumes that the transfer of trade, assets and liabilities to Mothercare Global Brand Limited was a common control transaction and therefore scoped out of IFRS 3. As IFRS 3 does not provide specific accounting guidance, the Group have looked to the merger accounting principles as prescribed by FRS 102.

Information contained in this proforma is intended to be illustrative, and is provided due to the significant post balance sheet changes in the Group composition. All numbers are provisional and will be reviewed as the accounting for the transaction is completed in full.

Notes to the condensed consolidated financial statements

15 Post balance sheet events (continued)

Proforma view

	12 October 2019 (Unaudited) £ million	Equity and financing raises (Unaudited) £ million	Loss of control of subsidiaries* (Unaudited) £ million	Proforma view (Unaudited) £ million
Non-current assets				
Intangible assets	14.6	-	(8.7)	5.9
Property, plant and equipment	17.4	-	(16.5)	0.9
Right of use assets	48.7	-	(48.7)	-
	80.7	-	(73.9)	6.8
Current assets				
Inventories	65.3	-	(61.9)	3.4
Trade and other receivables	44.0	-	(22.9)	21.1
Cash and cash equivalents	-	8.6	1.5	10.1
	109.3	8.6	(83.3)	34.6
Total assets	**190.0**	**8.6**	**(157.2)**	**41.4**
Current liabilities				
Trade and other payables	(94.2)	-	67.8	(26.4)
Lease liabilities	(20.5)	-	20.5	-
Bank overdrafts	(3.3)	-	3.3	-
Current tax liabilities	(0.3)	-	(0.2)	(0.5)
Provisions	(8.0)	-	8.0	-
	(126.3)	-	99.4	(26.9)
Non-current liabilities				
Borrowings	(21.2)	(2.0)	14.0	(9.2)
Lease liabilities	(88.9)	-	88.9	-
Derivative financial instruments	(1.3)	(7.5)	-	(8.8)
Retirement benefit obligations	(11.2)	-	-	(11.2)
Provisions	(3.3)	-	3.3	-
	(125.9)	(9.5)	106.2	(29.2)
Total liabilities	**(252.2)**	**(9.5)**	**205.6**	**(56.1)**
Net (liabilities)/assets	**(62.2)**	**(0.9)**	**48.4**	**(14.7)**
Equity attributable to equity holders of the parent				
Share capital	87.1	0.4	-	87.5
Share premium account	88.9	2.7	-	91.6
Own shares	(1.1)	-	-	(1.1)
Translation reserve	(2.2)	-	-	(2.2)
Retained deficit	(234.9)	(4.0)	48.4	(190.5)
Total equity	**(62.2)**	**(0.9)**	**48.4**	**(14.7)**

* Comprising the loss of control on the administration of Mothercare UK Limited and Mothercare Business Services Limited.

Additional Disclosures

Principal risks and uncertainties

The significant change to the Mothercare plc business and creation of Mothercare Global Brand Limited (MBG), has necessitated a complete refresh of our principal risks. This refresh has been conducted with the Operating Board who will continually assess and monitor risks faced by MGB. Operating Board monitoring will facilitate effective risk management and achievement of MGB's strategy. The following new risks have been agreed:

- Liquidity and cash management
- Product and distribution (supply)
- Foreign exchange impact
- Operating model
- Brand and reputation
- Supply chain and third parties
- Regulatory and legal
- Personnel and talent
- IT Systems

Directors' Responsibility statement

The Directors are responsible for preparing the Interim Results for the 28 week period ended 12 October 2019 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 24 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 page 37 of the Mothercare plc Annual Report and Financial Statements 2019. A list of directors is maintained on the Mothercare plc website at: www.mothercareplc.com. With the exception of today's announcement, there have been no changes since the publication of the Annual Report.

By order of the Board

Mark Newton-Jones
Chief Executive Officer

Glyn Hughes
Chief Financial Officer

10 December 2019

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 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 measure of profit/(loss) before taxation and foreign currency revaluations is used 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.

Shareholder information

Financial calendar

	2020
Preliminary announcement of results for the 52 weeks ending 28 March 2020	End May
Issue of report and accounts	Mid-June
Annual General Meeting	Mid-July
Announcement of interim results for the 28 weeks ending 10 October 2020	End November

Registered office and head office
Cherry Tree Road, Watford, Hertfordshire WD24 6SH
Telephone 01923 241000
www.mothercareplc.com
Registered number 1950509

Group Company Secretary
Lynne Medini

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

Equiniti Limited
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Telephone 0371 384 2013
Overseas +44 (0)121 415 7042
www.equiniti.com

Postal share dealing service
A postal share dealing service is available through the Company's registrars for the purchase and sale of Mothercare plc shares.

Further details can be obtained from Equiniti on 0871 384 2248 (calls to this number are charged at 8p per minute plus network extras. Lines are open 8.30 am to 5.30pm, Monday to Friday).

The Company's stockbrokers are:

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

finnCap Limited
60 New Broad Street
London EC2M 1JJ
Telephone 020 7220 0500

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.