



mothercare plc FY16/17 Half Year Results

Continued progress on six pillar strategy in challenging UK conditions

Mothercare plc, the leading global retailer for parents and young children, today announces half year results for the 28 week period to 8th October 2016.

Highlights for H1 FY16/17

- Group underlying profit before tax at £5.9m (H1 FY15/16 £7m)
- UK turnaround progressing strongly in spite of a difficult 6 month trading period
 - Sales and margin growth stalled as a result of unseasonable weather and warehouse changes
 - Further improvements to intake margin offset by higher markdown
 - Warehouse infrastructure and systems change; first phase completed
 - Digital sales now represent c40% of total UK sales with c80% from mobile and 1 million apps downloaded by our customers. Website successfully replatformed
 - 32 refurbishments completed, 91 now in total, representing c60% of our store estate in the new modern format
- Solid International performance, +7.7% in actual currency in spite of volatile trading across the globe
 - 3 new International web sites created, taking our online availability to 14 markets
 - Opened 84 new stores, (closed 55); 1.8% increase in space
- Statutory loss before tax of £(0.8)m (H1 FY15/16 £5.8m profit). Debt £15.6m.

Group performance

	28 weeks to 8 Oct 2016 £ million	28 weeks to 10 Oct 2015 £ million	% change vs. last year
UK			
UK like-for-like sales ¹	(0.7)%	+3.8%	-
Total UK sales	231.2	236.6	(2.3)%
Underlying UK loss ²	(8.8)	(6.1)	(44.3)%
International			
International like-for-like sales ¹	(2.9)%	(2.3)%	-
International retail sales in constant currency	(0.8)%	+1.8%	
International retail sales in actual currency	7.1%	(5.0)%	
Total International sales	405.6	376.7	+7.7%
Underlying International profit ²	20.8	21.7	(4.1)%
Group			
Worldwide sales ¹	636.8	613.3	+3.8%
Total group sales	347.7	349.9	(0.6)%
Group underlying profit before tax ²	5.9	7.0	(15.7)%
Exceptional charge & non-underlying items	(6.7)	(1.2)	-
Group (loss)/profit before tax after exceptional and non-underlying items	(0.8)	5.8	-
Underlying EPS ²	3.4p	3.3p	+3.0%
Net (debt)/cash	(15.6)	27.2	-

Mark Newton-Jones, Chief Executive of mothercare plc, said:

“We are now in the second year of the turnaround of mothercare, and we are continuing to make major changes in the business. We have refurbished c60% of our UK store estate, upgraded our distribution and online capabilities and completed the bulk of the unprofitable store closure programme. Lastly we have seen a step change in our digital credentials with c40% of our business now being generated through this channel.

“The last 6 months have been challenging and, notwithstanding our progress with our strategic pillars, our sales and margin stalled in the period. There are two factors at play here – firstly the widely reported slowdown in sales across the high street due to unseasonal weather through the spring/summer season, resulting in higher markdown. Secondly, whilst our planned warehouse infrastructure change has been successfully completed, it did mean a reduced flow of product for 8 weeks in the summer and a one off increase in operational costs as the systems bedded in.

“Finally, we are making good progress with the reorganisation and focus within our International business. While sales are still volatile across the globe, many of our markets have now returned to growth. We are putting retail space down and exporting our learnings and good practice from the UK into International online, which has grown by +46% in local currency.

“While conditions in the first half have been challenging, the second half has started in line with our plans and the business is well prepared for the important peak season. We expect to make further progress in the second half which will partially compensate for the effect of the headwinds experienced in H1.

“We continue to see opportunities to further develop and improve our business both here in the UK and in our international markets. Our vision remains clear: to be the leading global retailer for parents and young children.”

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Notes:

1 – 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.

Total International sales are International retail sales plus International Wholesale sales. Worldwide sales are total International sales plus total UK sales. International stores refer to overseas franchise and joint venture stores.

2 – Underlying profit before tax refers to PBT before exceptional and non-underlying items. Underlying EPS is calculated on the basis of underlying profit.

3 – 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.

4 – Mothercare plc will release its Q3 Trading Update for the 13 weeks to 7 January 2017 on Thursday 12 January 2017.

CHIEF EXECUTIVE'S REVIEW

Overview

In a challenging first half, we have remained focused on delivering an improved offer for both our UK customers and our International partners.

We continue to make good progress against each of the six strategic pillars and the business is positioned well to navigate the future UK and global economic uncertainties.

1. Becoming a digitally led business

- Online sales +6.9%, accounting for c40% of UK retail sales (36% H1 FY15/16)
- Mobile now c80% of total online sales
- Launch of new responsive website improving conversion and check out
- Upgraded app driving improved performance and conversion with over 1 million downloaded
- Over 3m customers on UK database

2. Supported by a modern retail estate and great service

- Closed 6 underperforming stores; opened 2 new
- 32 refurbishments completed, 91 now in total, representing c60% of store estate in the new modern format
- iPads in store driving c44% of online sales

3. Offering style, quality and innovation in product

- 50 H&T exclusive products launched, bringing total to 134 exclusive products (+35% H1 FY15/16)
- 20% of product now at 'best' end range

4. Stabilise and recapture gross margin

- Underlying bought in margin, up year on year
- Full price sales at 65% (69% H1 FY15/16)
- Deeper discounts to clear seasonal stock
- UK gross margin down (59)bps

5. Running a lean organization while investing for the future

- Development of our warehousing infrastructure; first phase completed
- Tight control of costs`

6. Expanding further internationally

- Space + 1.8% with 1,339 stores in 56 countries
- Opened 84 new stores (closed 55); store portfolio actively managed
- Launched websites in three new markets; 14 markets now online

GROUP RESULTS

Global retail space across all of our markets was + 0.6% year on year with the UK declining by 1.7% to 1.5m sq.ft and International up 1.8% at 3.06m sq.ft. We now have 166 stores in the UK and in International we operate 1,339 stores in 56 countries

	28 weeks to 8 Oct 2016	28 weeks to 10 Oct 2015	% change vs. last year
	£million	£million	
Underlying International profit ²	20.8	21.7	(4.1)%
Underlying UK loss ²	(8.8)	(6.1)	(44.3)%
Corporate expenses	(3.7)	(4.9)	+22.4%
Underlying profit from operations²	8.3	10.7	(22.4)%
Underlying net finance costs	(1.9)	(1.8)	-
Share based payments	(0.5)	(1.9)	-
Underlying profit before tax²	5.9	7.0	(15.7)%
Exceptional items	(10.7)	(1.5)	-
Non-cash foreign currency adjustments	4.5	0.8	-
Amortisation of intangibles	(0.5)	(0.5)	-
Reported (loss)/profit before tax	(0.8)	5.8	-

Worldwide sales were +3.8% at £637 million with total UK sales down (2.3)% and total International sales +7.7%. Group sales, which reflect our UK sales and reported revenues or receipts from our International partners, were down (0.6%) at £348 million.

Underlying Group profit before tax was down (15.7)% at £5.9m. UK losses increased to a loss of £(8.8)m, while International profits were £20.8m. Other Group expenses improved with corporate costs of £(3.7)m, finance costs of £(1.9)m and share based payments of £(0.5)m.

After a charge of £(10.7)m for exceptional items (including property, warehousing costs, write down of International stock and provision for China JV receivables), a credit of £4.5m for non-cash foreign currency adjustments and a £(0.5)m charge for amortisation of intangibles, the reported loss for the half year was £(0.8)m (H1 FY15/16: £5.8m profit).

Our balance sheet remains strong with net assets of £62.3m, but with net debt of £(15.6)m compared with a cash balance of £27.2m last year, reflecting our investment programme in the UK store estate and infrastructure.

UK

We are confident with our investment programme in the UK but we have seen a softening in our UK performance in line with the rest of the market due to poor weather, impacting both sales and margin, as customers responded to heavier discounts. In addition, planned changes to our warehouse infrastructure had an adverse impact on sales as well as costs. It is still too early to determine whether consumer confidence has materially shifted post the EU referendum in June, but we remain committed to ensuring we have the appropriate offer for our customers.

	H1 FY2016/17	H1 FY2015/16	
	28 weeks to	28 weeks to	% change
	8 Oct 2016	10 Oct 2015	vs. last year
UK like-for-like sales growth	(0.7)%	+3.8%	-
UK online sales	£83.4m	£78.1m	+6.9%
UK retail sales (including online)	£214.6m	£219.1m	(2.1)%
UK wholesale sales	£16.6m	£17.5m	(5.0)%
Total UK sales	£231.2m	£236.6m	(2.3)%
Underlying loss	£(8.8)m	£(6.1)m	(44.3)%

Becoming a digitally led business

We continue to achieve good growth in our online business, which now accounts for c40% of our total UK retail sales (+36% H1 FY15/16). The trend towards mobile continues with mobile now c80% of total online sales. Click and Collect now accounts for c43% of online orders and c27% of online sales.

We launched our new responsive website during the half, improving speed, presentation, the customer journey and a smoother check out process. In the first full period since it went live, we have seen strong sales +20% LFL. The mothercare app has also been upgraded, leading to improvements in performance and conversion.

Supported by a modern retail estate

We continue to make progress with our store strategy, closing underperforming stores, opening new sites and transitioning to one third of stores in town and two thirds out of town. We closed 6 stores in the period as we come towards the end of our current closure strategy. We do, however, continue to review our store portfolio strategy, to ensure it remains relevant for customers. To date, c60% of the store estate (91 stores) are now in the new format. Our omnichannel customer strategy continues to progress well with 44% of our online sales now from iPads in store. In our refitted stores, every customer advisor has an iPad and one in two customer advisers in our other stores.

Further improvements continue to be made to support our omnichannel strategy including the start of a roll out of customer Wi-Fi pre-Christmas.

Offering style, quality and innovation in product

We have maintained our price architecture, with an average of 20% of all three product categories now in the 'best' tier and continued to focus on introducing new brands and exclusive ranges.

In **Home and Travel**, 20% of products now at 'best'; launched 50 new exclusive products, bringing the total to 134 exclusive products (+35% H1 FY15/16), including Chicco feeding range, Orla Kiely Gro bags and GB strollers.

In **Toys**, we continue to make further progress towards growing our brands which are now 18% of the mix and also increasing exclusivity. During the period, we introduced 10 new brands including the very popular pre-school TV licenses, Paw Patrol, Peppa Pig and Thomas the Tank Engine; and 20 exclusive products.

In **Clothing and Footwear** we have continued to focus on quality, choice and range with both external brands and our own brand product. We rebranded Baby K to My K to reflect a broader age group; grew our newborn and baby categories including the Heritage and Peter Rabbit ranges.

Stabilize and recapture gross margin

This has been a difficult period as poor weather resulted in lower sales, higher stocks and more discounting. This resulted in UK gross margin decline in the first half of (59)bps, although buying margin continued to progress. During the period, 65% of the product mix was sold at full price (69% H1 FY15/16).

Running a lean organization while investing for the future

We continue to make improvements in our cost base with improved efficiencies in stores.

We also initiated investment in our technology infrastructure which in the long term, will improve our ability to manage product and stock through the business both in the UK and Internationally.

We started the investment in our warehousing during the period, to build the optimal platform for an improved shopping experience for our customers, as well as improving efficiencies. This initial phase had an impact on sales as we managed the flow of stock through our supply chain and some one-off costs that are recorded as exceptionals.

International

Trading for many of our International partners continues to be volatile, although many of our markets did return to growth in the period.

We have some positive currency tailwinds albeit the impact to our profit is limited due to our hedging strategy.

Favourable currency movements meant International sales have grown by 7.1% in actual currencies at £399.9 million while constant currencies delivered a (0.8)% fall. Wholesale sales were +73.8% at £5.7m and total International sales were +7.7% at £406m.

Underlying profits for our International business were £20.8 million, with currency moves having a negligible impact during the half year.

In line with our new approach to trading with our International partners, we wrote down the value of stock in International. This, along with a provision for China JV receivables, was recorded as exceptional costs.

International accounts for 66% of worldwide space and 64% of worldwide sales.

	28 weeks to 8 Oct 2016	28 weeks to 10 Oct 2015	% change vs. last year
International like-for-like sales growth	(2.9)%	(2.3)%	-
International retail sales: constant currency	(0.8)%	+1.8%	-
International retail sales: actual currency	+7.1%	(5.0)%	-
International retail sales	£399.9m	£373.4m	+7.1%
International wholesale sales	£5.7m	£3.3m	+73.8%
Total International sales	£405.6m	£376.7m	+7.7%
Underlying profit	£20.8m	£21.7m	(4.1)%

Expanding further internationally

Space was +1.8% year on year as we added net 29 stores. We continue to work proactively with our partners to develop their store portfolio and opened 84 new stores whilst closing 55. Our new store concept is now in 9 countries. Online continues to present a significant opportunity and although only representing c2% of International e-commerce sales, it grew by c46% (26% in constant currency), in the half. We launched websites in three new countries: Malaysia, Belarus and Turkey. We now have 14 markets internationally online.

International like-for-like sales were down (2.9)% with Europe, Russia, Middle East and Asia, all weaker. While markets are still volatile, many, including China, have now returned to growth.

Outlook

We are in the second year of our turnaround and continue to make good progress against each of the six strategic pillars. While conditions in the first half have been challenging, the second half has started in line with our plans and the business is well prepared for the important peak season. We expect to make further progress in the second half which will partially compensate for the effect of the headwinds experienced in H1.

FINANCIAL REVIEW

RESULTS SUMMARY

Group underlying profit before tax was £5.9 million, for the 28 weeks to 8 October 2016, (H1 FY2015/16: £7.0 million profit). Underlying profit excludes exceptional items and other non-underlying items which are analysed below. Exceptional items include costs relating to previously announced activity on property, development of warehousing, restructuring of international operations and a provision for China JV receivables. After exceptional and non-underlying items, the Group recorded a pre-tax loss of £(0.8) million (H1 FY2015/16: profit of £5.8 million).

Income statement

£ million	28 weeks to 8 October 2016	28 weeks to 10 October 2015	52 weeks to 26 March 2016
Revenue	347.7	349.9	682.3
Underlying profit from operations before interest and share based payments	8.3	10.7	25.8
Share based payments	(0.5)	(1.9)	(3.0)
Net finance costs	(1.9)	(1.8)	(3.2)
Underlying profit before tax	5.9	7.0	19.6
Exceptional items	(10.7)	(1.5)	(10.2)
Non-cash foreign currency adjustments	4.5	0.8	1.2
Amortisation of intangible assets	(0.5)	(0.5)	(0.9)
(Loss)/profit before tax	(0.8)	5.8	9.7
Underlying EPS – basic	3.4p	3.3p	9.6p
EPS – basic	0.2p	2.8p	3.8p

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

Results by segment

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

£ million – Revenue	28 weeks to 8 October 2016	28 weeks to 10 October 2015	52 weeks to 26 March 2016
UK	231.2	236.6	459.7
International	116.5	113.3	222.6
Total	347.7	349.9	682.3
£ million – Underlying profit	28 weeks to 8 October 2016	28 weeks to 10 October 2015	52 weeks to 26 March 2016
UK	(8.8)	(6.1)	(6.4)
International	20.8	21.7	40.3
Corporate	(3.7)	(4.9)	(8.1)
Underlying profit from operations before share based payments	8.3	10.7	25.8
Share based payments	(0.5)	(1.9)	(3.0)
Net finance costs	(1.9)	(1.8)	(3.2)
Underlying profit before tax	5.9	7.0	19.6

UK sales were significantly impacted by poorer weather over the summer resulting in higher stocks and then deeper discounts. We continued to see benefits from refitted stores and cost savings from closed stores. A planned change in our warehousing facilities had some impact on stockholding and missed sales along with a number of one-off exceptional costs. Losses in the UK increased to £(8.8) million from £(6.1) million last year.

International retail sales in constant currency were down (0.8)% with mixed performance across the regions. In particular, we saw China return to growth in the period but continued softening in the Middle East. Overall, International sales increased by 2.8% on a reported basis and 7.7% on a total basis, benefitting from currency tailwinds as sterling devalued, this tailwind having limited benefit to the profit and loss as it was mostly hedged. International profit was £20.8 million.

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

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

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

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

£ million	Reported sales				Worldwide sales*			
	28 weeks ended 8 October 2016	28 weeks ended 10 October 2015	%	52 weeks ended 26 March 2016	28 weeks ended 8 October 2016	28 weeks ended 10 October 2015	%	52 weeks ended 26 March 2016
UK retail sales	214.6	219.1	(2.1%)	426.1	214.6	219.1	(2.1%)	426.1
UK wholesale sales	16.6	17.5	(5.0%)	33.6	16.6	17.5	(5.0%)	33.6
Total UK sales	231.2	236.6	(2.3%)	459.7	231.2	236.6	(2.3%)	459.7
International retail sales	110.8	110.0	0.7%	215.9	399.9	373.4	7.1%	683.0
International wholesale sales	5.7	3.3	73.8%	6.7	5.7	3.3	73.8%	6.7
Total International sales	116.5	113.3	2.8%	222.6	405.6	376.7	7.7%	689.7
Group sales / Group worldwide sales	347.7	349.9	(0.6%)	682.3	636.8	613.3	3.8%	1,149.4

* Estimated

Analysis of worldwide sales movement

£ million – Worldwide sales	
Sales for 28 weeks ended 10 October 2015	613.3
Currency impact	29.8
Proforma sales for 28 weeks ended 10 October 2015	643.1
Decrease in UK LFL	(1.4)
Decrease in UK space	(4.2)
Decrease in international LFL	(11.2)
Increase in international space	7.9
Increase in wholesale	2.6
Sales for 28 weeks ended 8 October 2016	636.8

Sales in the 28 weeks ended 8 October 2016 were higher by £23.5 million primarily as a result of a favourable currency impact of £29.8 million due to the devaluation of sterling.

Including the currency impact, international sales have increased by £26.5 million driven by an increase in space, offset by reduced like for like sales mainly in Middle East/North Africa.

UK sales have fallen by £(5.6) million due to a fall in LFL sales, compounded by a decrease in UK space as a result of planned store closures.

Analysis of profit movement

£ million – Underlying profit before tax	
Underlying profit for 28 weeks ended 10 October 2015	7.0
Currency impact	0.1
Proforma underlying profit for 28 weeks ended 10 October 2015	7.1
Decrease in International volumes	(1.1)
UK space impact	1.1
UK sales and margin	(1.2)
Increase in costs	0.0
Underlying profit before tax for 28 weeks ended 8 October 2016	5.9

On a proforma basis (i.e. excluding the currency impact) underlying profit has fallen from £7.1 million to £5.9 million. This is driven by lower international volumes and reduced UK sales and margin, partly offset by the benefits of UK store closures. UK sales and margin were predominantly adverse due to poor seasonal weather impacting sales and resulting in high markdowns to clear stock.

Foreign exchange

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

	28 weeks ended 8 October 2016	28 weeks ended 10 October 2015	52 weeks ended 26 March 2016
Average:			
Russian rouble	88.95	89.38	95.40
Indonesian rupiah	18,186	20,720	20,418
Saudi riyal	5.17	5.77	5.68
Emirati Dirham	5.03	5.64	5.54
Closing:			
Russian rouble	81.58	94.67	98.09
Indonesian rupiah	16,889	20,787	18,959
Saudi riyal	4.87	5.75	5.43
Emirati Dirham	4.77	5.58	5.32

The principal currencies that impact our results are the Russian rouble, Indonesian rupiah and Saudi riyal. The net effect of currency translation caused worldwide sales and underlying operating profit from ongoing operations to increase by £29.8 million and £0.1 million respectively compared with 2016 as shown overleaf:

	Worldwide Sales £ million	Underlying Operating profit £ million
Saudi riyal	6.5	-
Emirati Dirham	4.6	-
Indonesian rupiah	1.9	-
Russian rouble	0.6	(0.4)
Other Middle East countries	4.2	0.1
Other currencies	12.0	0.4
	29.8	0.1

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

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

Share based payments

Underlying profit before tax also includes a share based payments charge of £(0.5) million (H1 FY2015/16: £(1.9) million charge) in relation to the Company's long-term incentive schemes.

Financing and taxation

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

The underlying tax credit comprises corporation taxes incurred and a deferred tax charge. The total tax credit was £1.2 million (H1 FY2015/16: charge of £(1.0) million) – see note 6.

Non-underlying items

Underlying profit before tax excludes the following non-underlying items (see note 4):

Exceptional items:

- Costs relating to previously announced activity on property and retail restructuring programmes;
- Costs relating to the planned development of warehouses in the UK;
- Costs relating to the International stock obsolescence charge; and
- Costs relating to the joint venture trade receivable provision.

Other non-underlying items:

- The revaluation of monetary assets and 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 adjustments are reported as non-underlying items so as the Group reports its underlying performance consistently with its cash flows, reflecting the hedging which is in place; and
- Amortisation of intangible assets (excluding software).

Earnings per share and dividend

Basic underlying earnings per share were 3.4 pence compared to 3.3 pence in the 28 weeks to 10 October 2015.

	28 weeks ended 8 October 2016 Million	28 weeks ended 10 October 2015 Million	52 weeks ended 26 March 2016 Million
Weighted average number of shares in issue	170.8	170.7	170.6
Dilution- option schemes	4.2	9.0	6.0
Diluted weighted average number of shares in issue	175.0	179.7	176.6
Number of shares at period end	170.9	170.8	170.9
	£ million	£ million	£ million
Profit for basic and diluted earnings per share	0.4	4.8	6.4
Exceptional items and other non-underlying items (note 4)	6.7	1.2	9.9
Tax effect of above items	(1.3)	(0.3)	0.1
Underlying earnings	5.8	5.7	16.4
	Pence	Pence	Pence
Basic profit per share	0.2	2.8	3.8
Basic underlying earnings per share	3.4	3.3	9.6
Diluted profit per share	0.2	2.7	3.6
Diluted underlying earnings per share	3.3	3.2	9.3

The Board has concluded that given the cash investment required to deliver the current strategy the Company will not pay an interim dividend for 2016/17. The total dividend for the period is nil pence per share (2015/16: nil pence per share).

Pensions

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

£ million	28 weeks ending 8 October 2016	28 weeks ending 10 October 2015	52 weeks ending 26 March 2016
Income statement			
Running costs	(1.6)	(1.5)	(2.7)
Net (interest on liabilities)/return on assets	(1.3)	(1.5)	(2.7)
Net charge	(2.9)	(3.0)	(5.4)
Cash funding			
Regular contributions	(2.4)	(1.6)	(2.2)
Deficit contributions	(3.6)	(5.4)	(8.9)
Total cash funding	(6.0)	(7.0)	(11.1)
Balance sheet			
Fair value of schemes' assets	329.4	288.4	287.5
Present value of defined benefit obligations	(435.9)	(341.8)	(361.9)
Net liability	(106.5)	(53.4)	(74.4)

The running costs of the Mothercare defined benefit pension schemes have risen from £(1.5) million in the 28 weeks to 10 October 2015 to £(1.6) million in the 28 weeks to 8 October 2016 due to an increased PPF levy in 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 FY2016/17	H1 FY2015/16	H1 FY2016/17 Sensitivity	H1 FY2016/17 Impact on scheme liabilities £ million
Discount rate	2.6%	3.95%	+/- 0.1%	- 8.9/+ 8.9
Inflation – RPI	3.2%	3.05%	+/- 0.1%	+ 6.9/- 6.9
Inflation - CPI	2.1%	1.95%	+/- 0.1%	+ 6.9/- 6.9

Cash flow

Underlying free cash flow was an outflow of £(25.3) million with cash generated from operations of £0.8 million.

Capital expenditure of £25.1 million reflected the continued investment in store refurbishment and IT infrastructure and was materially higher than in the 28 weeks ended 10 October 2015 as the investment strategy was implemented.

Working capital was an outflow of £(6.8) million, reflecting higher stocks partially offset by higher payables.

Other movements include movements in provisions, amortisation of lease incentives and lease incentives received.

	28 weeks ended 8 October 2016 £ million	28 weeks ended 10 October 2015 £ million	52 weeks ended 26 March 2016 £ million
Underlying profit from operations before interest and share based payments	8.3	10.7	25.8
Depreciation and amortisation	9.6	8.9	17.5
Retirement benefit schemes	(4.4)	(5.5)	(8.4)
Change in working capital	(6.8)	2.0	-
Other movements	(5.9)	2.7	0.9
Cash generated from operations	0.8	18.8	35.8
Capital expenditure	(25.1)	(16.6)	(39.2)
Interest and tax paid	(1.0)	(0.6)	(2.2)
Underlying Free cashflow	(25.3)	1.6	(5.6)
Exceptional	(2.1)	(4.3)	(12.9)
Free cashflow	(27.4)	(2.7)	(18.5)
Net bank loans	30.0	-	-
Issue of ordinary share capital	-	0.4	0.4
Exchange differences	(1.7)	(2.0)	0.1
Cash and cash equivalents at beginning of period	13.5	31.5	31.5
Net cash and cash equivalents at end of period	14.4	27.2	13.5
Borrowings	(30.0)	-	-
Statutory net (debt)/cash at end of period	(15.6)	27.2	13.5

Balance sheet

The balance sheet includes identifiable intangible assets arising on the acquisition of the Early Learning Centre of £5.2 million and goodwill of £26.8 million. These assets are allocated to the International business.

	8 October 2016 £ million	10 October 2015 £ million	26 March 2016 £ million
Goodwill and other intangibles	54.8	46.5	53.9
Property, plant and equipment	77.0	56.0	69.4
Retirement benefit obligations (net of tax)	(88.4)	(42.8)	(58.1)
Net (borrowings)/cash	(15.6)	27.2	13.5
Derivative financial instruments	21.7	2.9	11.2
Other net assets/(liabilities)	12.8	8.3	(0.8)
Net assets	62.3	98.1	89.1
Share capital and premium	146.4	146.4	146.4
Reserves	(84.1)	(48.3)	(57.3)
Total equity	62.3	98.1	89.1

Shareholders' funds amount to £62.3 million, a reduction of £35.8 million in the year driven predominantly by an increase of £45.6 million in the defined benefit obligation (net of deferred tax).

Going concern

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

The Group's business activities and the factors likely to affect its future development are set out in the principal risks and uncertainties of the annual report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the financial review. At the end of the 28 weeks ended 8 October 2016 the Group had a net debt of £15.6 million, representing £30 million of the revolving credit facility offset by £14.4 million of cash. This is within the Group's facilities, which are in place until May 2018 and with sufficient headroom against covenants.

The Directors have reviewed the Group's latest forecasts and projections, which have been sensitivity-tested for reasonably possible adverse variations in performance. This indicates the Group will operate within the terms of its borrowing facilities and covenants for the foreseeable future. To the extent that future trading is worse than a reasonably possible downside, which the Directors do not consider a likely scenario, then there are mitigating actions available which includes reducing some discretionary costs and non-essential capital expenditure and would enable the Group to continue to operate within the terms of the borrowing facilities and covenants for the foreseeable future. Based on this, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements are therefore prepared on the going concern basis.

Capital additions

Total capital additions for the 28 week period was £19.4 million (H1 FY2015/16: £12.8 million), of which £4.0 million was for software intangibles and £15.4 million for tangible fixed assets. Landlord contributions of £0.9 million (H1 FY2015/16: £3.5 million) were received, partially offsetting the £19.4 million outflow. Net capital expenditure after landlord contributions was £18.5 million (H1 FY2015/16: £9.3 million). The increase was primarily due to the store refurbishment and infrastructure investment programmes.

Treasury policy and financial risk management

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

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

Foreign currency risk

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

International reported sales represent approximately 34% of Group sales. Total International sales in the 28 week period represent approximately 64% of Group network sales. The Group therefore has some currency exposure on these sales, but they are used to offset or hedge in part the Group's US dollar denominated product purchases. The Group policy is that all material exposures are hedged by using forward currency contracts. To help mitigate against the currency impact on royalty receipts, the Group has hedged against its major market currency exposure.

Interest rate risk

The Group has drawn down £30.0 million on the Revolving Credit Facility. The RCF attracts an interest rate of 2.5% above LIBOR.

Shareholders' funds

Shareholders' funds amount to £62.3 million, a reduction of £35.8 million in the 52 week period. This represents £0.36 per share compared to £0.52 per share at the year end.

Post balance sheet events

There have been no post balance sheet events.

Condensed income statement

For the 28 weeks ended 8 October 2016

	28 weeks ended 8 October 2016 (unaudited)			28 weeks ended 10 October 2015 (unaudited)			52 weeks ended 26 March 2016
Note	Underlying ¹ £ million	Non- underlying ² £ million	Total £ million	Underlying ¹ £ million	Non- underlying ² £ million	Total £ million	Total £ million
Revenue	347.7	-	347.7	349.9	-	349.9	682.3
Cost of sales	(320.1)	(0.5)	(320.6)	(318.1)	-	(318.1)	(622.1)
Gross profit/(loss)	27.6	(0.5)	27.1	31.8	-	31.8	60.2
Administrative expenses	(19.8)	(5.3)	(25.1)	(22.5)	(2.3)	(24.8)	(42.8)
Profit/(loss) from retail operations	7.8	(5.8)	2.0	9.3	(2.3)	7.0	17.4
Other exceptional items	4	-	(0.9)	-	1.1	1.1	(3.4)
Share of results of joint ventures and associates	-	-	-	(0.5)	-	(0.5)	(1.1)
Profit/(loss) from operations	7.8	(6.7)	1.1	8.8	(1.2)	7.6	12.9
Net finance costs	5	(1.9)	-	(1.8)	-	(1.8)	(3.2)
Profit/(loss) before taxation	5.9	(6.7)	(0.8)	7.0	(1.2)	5.8	9.7
Taxation	6	(0.1)	1.3	(1.3)	0.3	(1.0)	(3.3)
Profit/(loss) for the period attributable to equity holders of the parent	5.8	(5.4)	0.4	5.7	(0.9)	4.8	6.4
Profit per share							
Basic	8	3.4p	0.2p	3.3p		2.8p	3.8p
Diluted	8	3.3p	0.2p	3.2p		2.7p	3.6p

All results relate to continuing operations.

- (1) Before items described in note 2 below.
(2) Includes exceptional property costs, costs of developing warehousing and restructuring international operations and other non-underlying items of amortisation of intangible assets (excluding software) and the impact of non-cash foreign currency adjustments under IAS 39 and IAS 21 as set out in note 4 to the financial statements.

Condensed statement of comprehensive income/(expense)

For the 28 weeks ended 8 October 2016

	28 weeks ended 8 October 2016 (unaudited)	28 weeks ended 10 October 2015 (unaudited)	52 weeks ended 26 March 2016
	£ million	£ million	£ million
Profit for the period	0.4	4.8	6.4
Items that will not be reclassified subsequently to the income statement:			
Actuarial (loss)/gain on defined benefit pension schemes	(35.1)	23.8	1.1
Income tax relating to items not reclassified	4.8	(4.8)	(1.5)
	(30.3)	19.0	(0.4)
Items that may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations	(1.7)	(0.9)	(0.4)
Cash flow hedges: gains /(losses) arising in the period	17.1	(8.9)	4.2
Deferred tax on cash flow hedges	(1.4)	1.2	(0.3)
	14.0	(8.6)	3.5
Other comprehensive (expense)/income for the period	(16.3)	10.4	3.1
Total comprehensive (expense)/income for the period wholly attributable to equity holders of the parent	(15.9)	15.2	9.5

Condensed balance sheet

As at 8 October 2016

	Note	8 October 2016 (unaudited) £ million	10 October 2015 (unaudited) £ million	26 March 2016 £ million
Non-current assets				
Goodwill		26.8	26.8	26.8
Intangible assets		28.0	19.7	27.1
Property, plant and equipment	10	77.0	56.0	69.4
Investments in joint ventures		-	3.9	-
Deferred tax asset	6	24.8	19.6	20.3
Derivative financial instruments	13	2.2	-	0.2
		158.8	126.0	143.8
Current assets				
Inventories		125.8	112.5	101.8
Trade and other receivables		75.0	66.9	75.9
Cash and cash equivalents		14.4	27.2	13.5
Current tax asset		0.9	0.7	0.3
Derivative financial instruments	13	20.4	2.9	12.1
		236.5	210.2	203.6
Total assets		395.3	336.2	347.4
Current liabilities				
Trade and other payables		(147.5)	(124.2)	(130.1)
Derivative financial instruments	13	(0.9)	-	(1.1)
Short term provisions		(9.0)	(26.3)	(14.6)
		(157.4)	(150.5)	(145.8)
Non-current liabilities				
Trade and other payables		(21.3)	(21.8)	(22.1)
Borrowings	11	(30.0)	-	-
Retirement benefit obligations	12	(106.5)	(53.4)	(74.4)
Long term provisions		(17.8)	(12.4)	(16.0)
		(175.6)	(87.6)	(112.5)
Total liabilities		(333.0)	(238.1)	(258.3)
Net assets		62.3	98.1	89.1
Equity attributable to equity holders of the parent				
Share capital		85.4	85.4	85.4
Share premium account		61.0	61.0	61.0
Own shares		(0.3)	(0.4)	(0.3)
Translation reserve		(1.2)	-	0.5
Hedging reserve		14.3	3.9	9.7
Retained deficit		(96.9)	(51.8)	(67.2)
Total equity		62.3	98.1	89.1

Condensed statement of changes in equity

For the 28 weeks ended 8 October 2016

	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 2016	85.4	61.0	(0.3)	0.5	9.7	(67.2)	89.1
Other comprehensive (expense)/income for the period	-	-	-	(1.7)	15.7	(30.3)	(16.3)
Profit for the period	-	-	-	-	-	0.4	0.4
Total comprehensive (expense)/income for the period	-	-	-	(1.7)	15.7	(29.9)	(15.9)
Removal from equity to inventories during the period	-	-	-	-	(11.1)	-	(11.1)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.3	0.3
Deferred tax on share-based payments	-	-	-	-	-	(0.1)	(0.1)
Balance at 8 October 2016 (unaudited)	85.4	61.0	(0.3)	(1.2)	14.3	(96.9)	62.3

For the 28 weeks ended 10 October 2015

	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Hedging reserve £ million	Retained deficit £ million	Total equity £ million
Balance at 28 March 2015	85.2	60.8	(0.4)	0.9	6.8	(75.6)	77.7
Other comprehensive (expense)/income for the period	-	-	-	(0.9)	(7.7)	19.0	10.4
Profit for the period	-	-	-	-	-	4.8	4.8
Total comprehensive (expense)/income for the period	-	-	-	(0.9)	(7.7)	23.8	15.2
Removal from equity to inventories during the period	-	-	-	-	3.2	-	3.2
Transfer between reserves	-	-	-	-	1.6	(1.6)	-
Credit to equity for equity-settled share-based payments	-	-	-	-	-	1.4	1.4
Deferred tax on share-based payments	-	-	-	-	-	0.2	0.2
Issue of equity shares	0.2	0.2	-	-	-	-	0.4
Balance at 10 October 2015 (unaudited)	85.4	61.0	(0.4)	-	3.9	(51.8)	98.1

For the 52 weeks ended 26 March 2016

	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Hedging reserve £ million	Retained deficit £ million	Total equity £ million
Balance at 28 March 2015	85.2	60.8	(0.4)	0.9	6.8	(75.6)	77.7
Other comprehensive (expense)/income for the period	-	-	-	(0.4)	3.9	(0.4)	3.1
Profit for the period	-	-	-	-	-	6.4	6.4
Total comprehensive (expense)/income for the period	-	-	-	(0.4)	3.9	6.0	9.5
Removal from equity to inventories during the period	-	-	-	-	(1.0)	-	(1.0)
Issue of equity shares	0.2	0.2	0.1	-	-	-	0.5
Credit to equity for equity-settled share-based payments	-	-	-	-	-	2.4	2.4
Balance at 26 March 2016 (audited)	85.4	61.0	(0.3)	0.5	9.7	(67.2)	89.1

Condensed cash flow statement

For the 28 weeks ended 8 October 2016

	Note	28 weeks ended 8 October 2016 (unaudited)	28 weeks ended 10 October 2015 (unaudited)	52 weeks ended 26 March 2016
		£ million	£ million	£ million
Net cash flow from operating activities	15	(1.9)	11.1	21.9
Cash flows from investing activities				
Interest received		-	-	0.2
Purchase of property, plant and equipment		(21.1)	(13.5)	(27.8)
Purchase of intangibles – software		(4.0)	(3.1)	(11.4)
Net cash received on disposal of joint venture		-	2.8	-
Net cash used in investing activities		(25.1)	(13.8)	(39.0)
Cash flows from financing activities				
Interest paid		(0.4)	-	(1.4)
Bank loans raised		30.0	-	-
Issue of ordinary share capital		-	0.4	0.4
Net cash raised in financing activities		29.6	0.4	(1.0)
Net increase/(decrease) in cash and cash equivalents		2.6	(2.3)	(18.1)
Cash and cash equivalents at beginning of period		13.5	31.5	31.5
Effect of foreign exchange rate changes		(1.7)	(2.0)	0.1
Net cash and cash equivalents at end of period		14.4	27.2	13.5

Notes

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 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 8 October 2016 are unaudited but have been reviewed by the Group's auditor, whose report forms part of this document. The information for the 52 weeks ended 26 March 2016 included in this report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified or modified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2 Accounting Policies and Standards

The annual financial statements of Mothercare plc are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The condensed set of financial statements included in this half yearly report has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

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 for the period and recognise a tax credit only to the extent that the resulting tax asset is more than likely not to reverse.

Profit from retail operations

Profit from retail operations represents the profit generated from normal retail trading, prior to any gains or losses on property transactions and impairment charges. It also includes the volatility arising from non-cash foreign currency adjustments under IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 21 'The Effects of Changes in Foreign Exchange Rates'.

Underlying earnings

The Company believes that underlying profit before tax and underlying earnings provides additional useful information for shareholders. The term underlying earnings is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for, or superior to, IFRS measures of profit. A reconciliation of this alternative measure to the statutory measure required by IFRS is disclosed in note 3. The adjustments made to reported results are as follows:

Exceptional items

Due to their significance or one-off nature, certain items have been classified as exceptional. The gains and losses on these discrete items, such as property costs, impairment charges, restructuring costs and other non-operating items can have a material impact on the absolute amount of and trend in the profit from operations and the results for the period. Therefore any gains and losses on such items are analysed as non-underlying on the face of the income statement. Further details of the exceptional items are provided in note 4.

Notes (continued)

Non-cash foreign currency adjustments

Since January 2014 the Group has adopted hedge accounting on its foreign currency contracts. The adjustment made by the Group ensures that it reports its underlying 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".

Amortisation of intangible assets

The average estimated useful life of identifiable intangible assets is 10 to 20 years for trade names and 5 to 10 years for customer relationships. The amortisation of these intangible assets does not reflect the underlying performance of the business.

Retirement benefits

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 to consider whether there have been any other events that would significantly affect the pension liabilities. The impact of these changes in assumptions and events has been estimated in arriving at the valuation of the pension obligation.

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 UK and International.

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

	28 weeks ended 8 October 2016 (unaudited)			
	UK £ million	International £ million	Unallocated Corporate Expenses £ million	Consolidated £ million
Revenue				
External sales	231.2	116.5	-	347.7
Result				
Segment result (underlying)	(8.8)	20.8	(3.7)	8.3
Share-based payments (underlying)				(0.5)
Non-cash foreign currency adjustments (non-underlying)				4.5
Amortisation of intangible assets (non-underlying)				(0.5)
Exceptional items				(10.7)
Profit from operations				1.1
Finance cost				(1.9)
Loss before taxation				(0.8)
Taxation				1.2
Profit for the period				0.4

Notes (continued)

3 Segmental information (continued)

	28 weeks ended 10 October 2015 (unaudited)			
	UK £ million	International £ million	Unallocated Corporate Expenses £ million	Consolidated £ million
Revenue				
External sales	236.6	113.3	-	349.9
Result				
Segment result (underlying)	(6.1)	21.7	(4.9)	10.7
Share-based payments (underlying)				(1.9)
Non-cash foreign currency adjustments (non-underlying)				0.8
Amortisation of intangible assets (non-underlying)				(0.5)
Exceptional items				(1.5)
Profit from operations				7.6
Finance cost				(1.8)
Profit before taxation				5.8
Taxation				(1.0)
Profit for the period				4.8

	52 weeks ended 26 March 2016			
	UK £ million	International £ million	Unallocated Corporate Expenses £ million	Consolidated £ million
Revenue				
External sales	459.7	222.6	-	682.3
Result				
Segment result (underlying)	(6.4)	40.3	(8.1)	25.8
Share-based payments (underlying)				(3.0)
Non-cash foreign currency adjustments (non-underlying)				1.2
Amortisation of intangible assets (non-underlying)				(0.9)
Exceptional items				(10.2)
Profit from operations				12.9
Finance costs (including £0.8m non-underlying)				(3.2)
Profit before taxation				9.7
Taxation				(3.3)
Profit for the period				6.4

Corporate expenses not allocated to UK or International represent board and company secretarial costs and other head office costs including audit, professional fees, insurance and head office property.

Notes (continued)

4 Exceptional and non-underlying items

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

	28 weeks ended 8 October 2016 (unaudited) £ million	28 weeks ended 10 October 2015 (unaudited) £ million	52 weeks ended 26 March 2016 £ million
Exceptional items:			
Restructuring costs included in cost of sales	(4.5)	(0.3)	(0.3)
Restructuring costs and property impairment included in administrative expenses	(1.3)	(0.2)	(6.5)
Property related costs in other exceptional items	(0.9)	(0.8)	(0.1)
Joint venture trade receivable provision in administrative expenses	(4.0)	-	-
Impairment of investment in and receivables due from joint venture/associate in other exceptional items	-	-	(3.3)
Loss on disposal of joint ventures in other exceptional items	-	(0.2)	-
Total exceptional items:	(10.7)	(1.5)	(10.2)
Other non-underlying items:			
Non-cash foreign currency adjustments under IAS39 and IAS21	4.5	0.8	1.2
Amortisation of intangibles	(0.5)	(0.5)	(0.9)
Exceptional and non-underlying items before tax	(6.7)	(1.2)	(9.9)

Restructuring costs included in cost of sales

During the 28 weeks ended 8 October 2016 a charge of £4.5 million was recognised. £3.6 million was related to costs associated to the international restructure. Towards the end of FY2015/16, the Group recognised that significant challenges exist within the current International business model requiring a wide range restructure. At H1 FY2016/17, £3.2 million of the restructure costs relate to a one-off increase in the stock provision to reflect the alignment of our international trading strategy with the UK, i.e. more full price sales, less discounting and tighter management of stocks. £0.9 million was related to the planned development of warehouses in the UK and consists of incremental labour and warehouse storage costs.

In H1 FY2015/16, a £0.3 million charge related to the store restructuring programme.

Restructuring costs and property impairment included in administration expenses

During the 28 weeks ended 8 October 2016 a charge of £1.3 million was recognised. The majority of this amount related to head office redundancies. No further costs are expected.

In H1 FY2015/16, a £0.2 million charge related to business restructuring in the central functions.

Property related costs in other exceptional items

During the 28 weeks ended 8 October 2016 a charge of £0.9 million was recognised. A £0.4 million charge related to accelerated depreciation for stores refurbished by FY2016/17 and H1 FY2017/18. The remaining £0.5 million charge related to asset write-downs for stores refurbished or closed.

In H1 FY2015/16, a £2.1 million charge was recognised in respect of asset write-downs for those stores refurbished by H1 FY2015/16 and accelerated depreciation for stores refurbished by FY2015/16. This is partly offset by a net benefit of £1.3 million recognised in relation to movements in store closure and related provisions.

Notes (continued)

4 Exceptional and non-underlying items (continued)

Joint venture trade receivable provision in administration expenses

Due to the challenging economic conditions and performance over the past 12 months in China, the Group took a prudent approach and provided for all outstanding debt at FY2015/16, £4.0 million.

5 Net finance costs

	28 weeks ended 8 October 2016 (unaudited) £ million	28 weeks ended 10 October 2015 (unaudited) £ million	52 weeks ended 26 March 2016 £ million
Interest on pension liabilities/return on assets	1.3	1.5	2.7
Other net interest	0.6	0.3	0.5
Net finance costs	1.9	1.8	3.2

6 Taxation

	28 weeks ended 8 October 2016 (unaudited) £ million	28 weeks ended 10 October 2015 (unaudited) £ million	52 weeks ended 26 March 2016 £ million
Current tax - Overseas tax and UK corporation tax	0.0	0.3	1.8
Deferred tax - UK tax charge for timing differences	(1.2)	0.7	1.5
Total tax (credit)/charge	(1.2)	1.0	3.3

The deferred tax charge arises on UK temporary differences.

The net deferred tax asset at 8 October 2016 is £24.8 million (H1 FY2015/16: £19.6 million) including £18.1 million of deferred tax assets in relation to retirement benefit obligations (H1 FY2015/16: £10.6 million).

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the balance sheet date being 20% with effect from 1 April 2015, 19% effective from 1 April 2017 and 17% effective from 1 April 2020. The closing deferred tax assets and liabilities have been calculated at 17%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

7 Dividends

In April 2012 the Group announced that the dividend would not be resumed until there was a marked improvement in the Group's results. Accordingly, there will be no dividend for the first half of the year.

8 Earnings per share

	28 weeks ended 8 October 2016 (unaudited) million	28 weeks ended 10 October 2015 (unaudited) million	52 weeks ended 26 March 2016 million
Weighted average number of shares in issue for the purpose of basic earnings per share	170.8	170.7	170.6
Dilution - option schemes	4.2	9.0	6.0
Weighted average number of shares in issue for the purpose of diluted earnings per share	175.0	179.7	176.6
	£ million	£ million	£ million
Profit for basic and diluted earnings per share	0.4	4.8	6.4
Exceptional and other non-underlying items	6.7	1.2	9.9
Tax effect of above items	(1.3)	(0.3)	0.1
Underlying earnings	5.8	5.7	16.4
	Pence	Pence	Pence
Basic earnings per share	0.2	2.8	3.8
Basic underlying earnings per share	3.4	3.3	9.6
Diluted earnings per share	0.2	2.7	3.6
Diluted underlying earnings per share	3.3	3.2	9.3

Notes (continued)

9 Seasonality of the Early Learning Centre

Sales for the Early Learning Centre are more heavily weighted towards the second half of the year, with approximately 46% of annual sales forecast to occur in the third quarter (mid-October to early January).

10 Property, plant and equipment

Capital additions of £19.4 million were made during the period (H1 FY2015/16: £12.8 million). The increase over H1 FY2015/16 is primarily driven by the store refurbishment programme.

11 Bank loans and overdrafts

As at 8 October 2016, the Group had drawn down £30.0 million of the Revolving Credit Facility. The RCF attracts an interest rate of 2.5% above LIBOR.

12 Retirement benefit schemes

The Group updated its accounting for pensions under IAS 19 as at 8 October 2016. This involved rolling forward the assumptions from the prior 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 in March 2014, a liability of £106.5 million (H1 FY2015/16: £53.4 million) has been recognised. This represents a material increase since the year end, primarily as a result of lower gilt and corporate bond yields.

13 Financial instruments' fair value disclosures

The Group held the following financial instruments at fair value at 8 October 2016. The fair value of foreign currency forward contracts is measured using quoted foreign exchange rates and yield curves from quoted rates matching the maturities of the contracts, and they therefore are categorised within level 2 of the fair value hierarchy set out in IFRS 7.

	Fair value measurements at 8 October 2016 (unaudited) £ million	Fair value measurements at 10 October 2015 (unaudited) £ million	Fair value measurements at 26 March 2016 £ million
Non-current financial assets:			
Derivative financial instruments:			
Forward foreign currency contracts	2.2	-	0.2
Current financial assets:			
Derivative financial instruments:			
Forward foreign currency contracts	20.4	2.9	12.1
Current financial liabilities:			
Derivative financial instruments:			
Forward foreign currency contracts	(0.9)	-	(1.1)
	21.7	2.9	11.2

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

The valuations incorporate the following inputs:

- interest rates and yield curves at commonly quoted intervals; and
- observable credit spreads.

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 (continued)

14 Share-based payments

An expense 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 £0.5 million (H1 FY2015/16: £1.9 million) of which £0.3 million (H1 FY2015/16: £1.4 million) will be equity settled. The assumptions used to measure the fair values of the share-based payments are in line with those previously published.

15 Notes to the cash flow statement

	28 weeks ended 8 October 2016 (unaudited)	28 weeks ended 10 October 2015 (unaudited)	52 weeks ended 26 March 2016
	£ million	£ million	£ million
Profit from retail operations	2.0	7.0	17.4
Adjustments for:			
Depreciation of property, plant and equipment	7.0	7.0	13.3
Amortisation of intangible assets	3.1	2.5	5.1
Impairment of property, plant and equipment and intangible assets	-	1.5	1.5
Losses on disposal of property, plant and equipment and intangible assets	-	1.4	4.2
(Profit)/loss on non-underlying non-cash foreign currency adjustments	(4.5)	(0.8)	(1.2)
Equity settled share-based payments	0.5	1.9	3.0
Movement in provisions	(3.7)	(4.5)	(13.9)
Cash payments for other exceptional items	-	(0.3)	2.8
Amortisation of lease incentives	(3.0)	(2.2)	(4.1)
Lease incentives received	0.9	3.5	5.3
Payments to retirement benefit schemes	(6.0)	(7.0)	(11.1)
Charge to profit from operations in respect of retirement benefit schemes	1.6	1.5	2.7
Operating cash flow before movement in working capital	(2.1)	11.5	25.0
Increase in inventories	(22.9)	(23.3)	(12.9)
(Increase)/decrease in receivables	1.3	1.9	(1.1)
Increase in payables	22.4	21.7	13.3
Cash used in/(generated) from operations	(1.3)	11.8	24.3
Income taxes paid	(0.6)	(0.7)	(2.4)
Net cash (outflow)/inflow from operating activities	(1.9)	11.1	21.9

Analysis of net debt

	26 March 2016 £ million	Cash flow £ million	Foreign exchange £ million	8 October 2016 £ million
Cash and cash equivalents	13.5	2.6	(1.7)	14.4
Borrowings	-	(30.0)	-	(30.0)
Net (debt)/cash	13.5	(27.4)	(1.7)	(15.6)

Notes (continued)

16 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures 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 8 October 2016 (unaudited)	6.4	4.0
28 weeks ended 10 October 2015 (unaudited)	4.6	2.2
52 weeks ended 26 March 2016	8.9	4.8

Income 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 amounts owed by related parties relate to the China JV (£8.1 million) and the Ukraine JV (£1.4 million).

A provision of £5.5 million (H1 FY2015/16: £1.0 million) has been made for doubtful debts in respect of the amounts owed by related parties.

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

17 Post balance sheet events

There have been no post balance sheet events.

Risks and uncertainties

The Board continually assesses and monitors the key risks of the business. The principal risks and uncertainties which could impact the Company's long-term performance are summarised below:

- The anticipated turnaround of the Group's UK business may not be achievable if it fails to implement effectively key aspects of its new strategic plan such as IT, store and infrastructure transformation.
- The Group may be affected by challenging economic conditions and political developments affecting the UK and International markets in which it operates.
- The Group's brands and reputation are key to its success both in the UK and internationally; any damage to the Group's brands or concerns relating to its products (including their quality or safety) could have an adverse effect on the business.
- The Group is dependent on a small number of franchise partners that make up a significant proportion of its International business.
- The Group's results of operations may be affected by both transactional and translational foreign exchange risk.
- The Group's future success depends on the performance of its key senior management and the ability to attract and retain high quality and highly skilled personnel.
- The Group's business is dependent on its ability to source products successfully from its suppliers, most of which are based outside the UK. The Group relies on its manufacturers, suppliers and distributors to comply with employment, environmental and other laws.
- The Group relies on its ability to improve existing products and successfully develop and launch new innovative products.
- The Group supplies and sources its products and operates in a number of countries in which bribery and corruption pose significant risks.
- Any unauthorised access or disclosure of confidential information stored or obtained by the Group, either by criminal cyber-attack or a speculative loner, could have a negative effect on its business.
- The Group has exposure to the trading performance of its Joint Ventures in China and Ukraine, including share of profits and recoverability of debt.

Certain statements in this report are forward looking. Although the Group believes that the expectations reflected in these statements are reasonable, we can give no assurance that these expectations will prove to have been correct. As these statements contain risks and uncertainties, actual results may differ from those expressed or implied. We undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

Responsibility statement

We confirm that to the best of our knowledge:

- (a) The condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";
- (b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 28 weeks of the year and description of principal risks and uncertainties for the remaining 24 weeks of the year); and
- (c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Mark Newton-Jones
Chief Executive

Richard Smothers
Chief Financial Officer

23 November 2016

Independent review report to Mothercare plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 28 weeks ended 8 October 2016 which comprises the condensed income statement, the condensed balance sheet, the condensed statement of changes in equity, the condensed statement of comprehensive income, the condensed cash flow statement and related notes 1 to 17. 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 set of 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 Auditing Practices Board. 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 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 set of 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 set of 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 Auditing Practices Board 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 Ireland) 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 set of financial statements in the half-yearly financial report for the 28 weeks ended 8 October 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor
London, UK
23 November 2016

Shareholder information

Financial calendar

2017

Preliminary announcement of results for the 52 weeks ending 25 March 2017	End May
Issue of report and accounts	Mid-June
Annual General Meeting	Mid-July
Announcement of interim results for the 28 weeks ended 7 October 2017	End November

Registered office and head office

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

Group General Counsel and Company Secretary

Daniel Talisman

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 (calls to this number are charged at 8p per minute plus network extras)
Overseas +44 (0)121 415 7042
www.equiniti.com

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 0371 384 2030. Online and telephone services are also available through the Company's registrars – www.shareview.co.uk and 03456 037 037. Lines are open 08:30 to 17:30, Monday to Friday.

The Company's stockbrokers are:

J.P. Morgan Cazenove & Co Limited
25 Bank Street
Canary Wharf,
London E14 5JP
Telephone 020 7742 4000

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

ShareGift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation. The share transfer form needed to make a donation may be obtained from the Mothercare plc registrars, Equiniti Limited.

Further information about ShareGift is available from www.sharegift.org or by telephone on 020 7930 3737.