

mothercare



interim report 2004
www.mothercare.com



Mothercare at a glance

Stores at 9 October 2004

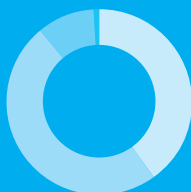
| | Stores | Total selling area (000s sq ft) |
|--------------------------------------|------------|---------------------------------------|
| Out-of-town | 69 | 1,118 |
| High street | 163 | 745 |
| Total UK Stores | 232 | 1,863 |
| International (franchise stores)* | 200 | 460 |
| Total | 432 | 2,291 |

| | Europe | Middle East | Far East | Other | Total |
|------------------------------------|--------|----------------|-------------|-------|-------|
| *International franchise stores | 92 | 68 | 37 | 3 | 200 |

Breakdown of sales

| | £m |
|---------------|-------|
| UK Stores | 204.6 |
| Direct | 9.1 |
| International | 29.5 |

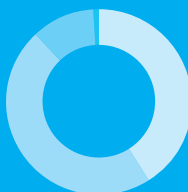
Product – total UK sales



2004/05

% of total UK sales

- Clothing **40%**
- Home and Travel **49%**
- Toys **10%**
- Other **1%**



2003/04

% of total UK sales

- Clothing **41%**
- Home and Travel **47%**
- Toys **11%**
- Other **1%**

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Chief executive's review

Total sales up 2.5 per cent to £243.2 million (2003 – £237.3 million)

Like-for-like UK store sales up 2.4 per cent (2003 – up 6.4 per cent). See financial review for definition of like-for-like.

Gross margins up 2.0 percentage points (2003 – up 5.9 percentage points)

Operating profit, before exceptional items of £nil (2003 – £0.8 million), up 15 per cent to £10.0 million (2003 – £8.7 million)

Profit before tax £10.9 million (2003 – £13.4 million)

Basic earnings per share 10.8p (2003 – 20.0p)

Earnings per share (before exceptional items) 10.8p – see note 6 (2003 – 13.1p). The current period is after a tax charge of £3.5 million (2003 – £nil) which equates to 5.2p per share (2003 – nil pence per share).

Interim dividend 2.7p (2003 – nil)

Net cash balances of £41.4 million (2003 – £28.4 million)

In May 2003 we outlined a three year turnaround programme with the objective of rebuilding Mothercare and progressing plans for longer-term growth.

We are now half way through the programme and are pleased with the progress we have made. Operating profit before exceptional items increased 14.9 per cent to £10.0 million for the period. In the first half year like-for-like UK store sales increased by 2.4 per cent, whilst gross margins increased during that period by 2.0 percentage points.

We have commenced our growth plans, opening an additional 12 international stores. In the UK we opened a new store in Thurrock and have progressed our plans for further UK store openings.

A key element of the turnaround has been to review and determine the supply chain we need to enable Mothercare to achieve its full potential. The new distribution strategy, announced today, comprises moving the bulk of the operation to a new distribution centre, located adjacent to the existing facility. Further details are provided below.

Turnaround

Our plan to rebuild the business is focused on five key projects: store proposition, product and sourcing, supply chain, infrastructure and customer service.

Chief executive's review

continued

Store proposition

By the end of the half year we had completed the refit of 81 out of 163 high street stores. This equates to 53 per cent of high street space. The programme involves improving both the store environment and the merchandise mix. The refitted stores continue to perform well, achieving sales growth of some 8 per cent above the average of non-refitted high street stores and generating a cash return on investment on an annualised basis in excess of 20 per cent. The 11 stores now in their second year since refit also continue to produce good levels of sales growth above the high street average.

We aim to complete our high street refit programme in the next financial year. A key objective is to ensure we continue to achieve our target returns from this investment. We therefore anticipate that, of the remaining stores to be refitted, some will be completed at a reduced level of spend. There will also be a number of stores not refitted which will either be closed or replaced with new stores of a better size or location.

Our 69 out-of-town stores continue to perform well as they benefit from the improvements in our customer offer and the progress with other turnaround projects. However, there are opportunities to further improve their performance, and with the high street programme well underway, we

have now commenced the trial refit of a selection of out-of-town stores.

Product and sourcing

The substantial improvements we have made to the design, quality, fashionability and price of our product ranges have repositioned our product offer. We now trade successfully at the fashionable end of our market in addition to our core strengths in the basic sectors. We are also continually introducing new products and new ranges to our offer to extend our markets. These include special premature ranges introduced this year and our new gifting and first bedroom ranges to be launched in the coming months.

The success of these initiatives is demonstrated by our customers purchasing more added value items, which has raised our average selling price by some 5 per cent in the period, whilst like-for-like product prices have shown net deflation.

The fact that we have grown our gross margins in the period by 2.0 percentage points whilst reducing like-for-like selling prices reflects the progress we have made with our sourcing initiatives. We are now sourcing product from better factories, and fewer suppliers and countries. Some 30 per cent of our clothing is sourced directly, and our target continues to be to increase this to 50 per cent. This programme is underway, gradually increasing the

benefit to gross margin over a three to five year timescale.

Supply chain

We have made significant progress over the past two years with initiatives to improve product availability and the efficiency of our current distribution operation. Availability is now over 80 per cent and distribution costs, as a percentage to sales, have reduced to 6.3 per cent compared to 6.5 per cent for the first half of last year. However, it is clear that our existing logistics network is ineffective and inefficient and is a major constraint on our ability to fulfil our business potential. It impacts the volume of product we can distribute effectively and limits the availability levels we can achieve.

Looking to the longer term we conducted a detailed analysis of our logistics requirements, taking account of planned business growth and the service levels our customers demand. We concluded that Mothercare should move the majority of its distribution activity to a newly constructed, bespoke 300,000 square foot warehouse. This will become our National Distribution Centre (NDC) and form the hub of our network. This new NDC will be complemented by retaining an area of our existing distribution warehouse in Daventry, which is ideal for hanging goods, along with retaining our existing specialist warehouse for our Direct operation. All of these facilities will be operated by our

logistics partner Exel. The new NDC is to be on the same logistics park as our existing Daventry warehouse in the transportation hub of the Midlands.

This distribution solution gives us flexibility for the future as we continue to grow. The retention of part of the existing Daventry warehouse, will enable a lower risk transfer of operations.

The new NDC will be operational from mid 2005, when construction will be complete and we plan to move our operations gradually into it over the following 12 to 18 months. We anticipate the move to the new NDC will incur some £7 million of capital expenditure, principally relating to the fit out of the new facility, and some £6 million of operating exceptional costs mainly the one-off additional revenue costs related to the move. This investment will provide returns in terms of lowering distribution costs towards our target of 5.0 per cent of sales over the next three to five years, together with improved availability and the expected resultant sales increase. Over the next 18 months we would anticipate our distribution operating costs increasing marginally as a percentage to sales as we focus on ensuring the move proceeds smoothly.

Infrastructure

A key element in the improvement of our infrastructure has been the replacement of our EPOS system. The new EPOS

Chief executive's review

continued

system, in addition to providing us with Chip and Pin capability, allows us to provide a higher level of customer service through reduced transaction time and increases our customer information and financial controls. The system has been successfully trialled and at the end of the half year had been rolled out to 14 stores. We plan to roll the system out to all stores by March 2006.

Customer service

The delivery of excellent customer service is vital to the success of Mothercare. As a speciality retailer, customer service is a key differentiator and an opportunity to gain real competitive advantage.

We have taken the deliberate decision to upgrade the quality of service and expertise provided by our store staff. This has included the introduction of structured training programmes in product knowledge and commercial selling and, for the first time, a formalised training programme to develop experts on specific product categories in each store, all linked to staff rewards. While this will lead to an increase in our store payroll costs in the short term, it is a crucial element in delivering the quality of customer service we need to provide.

Long-term growth

We are now moving into the long-term phase of our new plans. The decision to address our distribution network is

a vital element in providing the platform for successful growth. This decision has been carefully thought through and we are pleased to have identified a solution which will provide flexibility for the future whilst addressing the limitation of our existing network.

The growth phase includes a focus on new store development and our International and Direct businesses, to help drive long-term growth.

New store development

Our store portfolio review identified about 40 further high street and 20 out-of-town locations where Mothercare could successfully trade.

In August we opened our first new out-of-town store in more than two years at Thurrock Lakeside, Essex. This store is trading successfully and exceeding its targets. In November 2004 we open two further stores: a high street store in Wandsworth opened on 13 November and an out-of-town store in Sheffield will open on 20 November. The early signs are that we can roll out a store opening programme which achieves our target returns and can deliver some five to ten new stores per annum.

International

Our International franchise business continues to grow. The business is benefiting from the improvements we are making in product quality, design

and availability and its performance demonstrates the popularity of the Mothercare brand overseas, resulting in franchisee like-for-like sales being up 10 per cent and Mothercare sales to franchisees up 17 per cent.

During the first half our franchise partners opened 12 new stores bringing the total to 200, including our first stores in the Ukraine and Romania. The strong relationship we have developed with our franchisees has been a key factor in progressing the joint potential of our businesses. With our franchisees we have identified the potential for some 100 new stores over the next three to four years. A further 18 are currently scheduled to open in the second half of this financial year, including our 30th store in Greece.

Direct

Our Direct business continues to make progress, with a substantial improvement in profitability. Reported sales are down 1.8 per cent, but this figure does not include products ordered at stores for home delivery. Adjusted for this figure Direct sales are up some 10 per cent.

Mothercare provides an integrated multi-channel approach to our customers who can order product at home, by telephone or internet, and in-store using the internet and these channels are serviced by our Direct infrastructure. We continue

to see substantial capability for this business to grow both internet and catalogue sales – particularly for bigger ticket items, which may not be featured in our smaller stores.

Current trading

UK store like-for-like sales for the five weeks to 12 November 2004 were up 0.5 per cent.

In future, in line with best practice, we will provide trading updates on a quarterly basis only. No statement on current trade will be made with the interim or preliminary results.

The normal timetable will be as follows:

| | | |
|-----------|---------|--------------------|
| Quarter 1 | July | (AGM) |
| Quarter 2 | October | (Pre close update) |
| Quarter 3 | January | (Christmas) |
| Quarter 4 | April | (Pre close update) |

Financial review

Results summary

Total group sales have increased by 2.5 per cent to £243.2 million (2003 – £237.3 million) with like-for-like UK store sales up by 2.4 per cent. Operating profit before exceptional items improved by 14.9 per cent from £8.7 million last year to £10.0 million this year.

The results can be summarised as follows:

| | Turnover (ex VAT) 28 weeks to | | Operating profit 28 weeks to | |
|---|----------------------------------|------------------------------|---------------------------------|------------------------------|
| | 9 October 2004 £ million | 11 October 2003 £ million | 9 October 2004 £ million | 11 October 2003 £ million |
| UK Stores | 204.6 | 202.8 | 5.2 | 4.8 |
| Mothercare Direct | 9.1 | 9.3 | 0.8 | 0.6 |
| Total UK | 213.7 | 212.1 | 6.0 | 5.4 |
| Mothercare International | 29.5 | 25.2 | 4.0 | 3.3 |
| Operating profit (before exceptional items) | 243.2 | 237.3 | 10.0 | 8.7 |
| Exceptional operating items | | | – | 0.8 |
| Operating profit | | | 10.0 | 9.5 |
| Non-operating exceptional items | | | – | 3.8 |
| Interest | | | 0.9 | 0.1 |
| Profit before tax | | | 10.9 | 13.4 |
| Taxation | | | (3.5) | – |
| Profit after tax | | | 7.4 | 13.4 |
| Earnings per share | | | 10.8p | 20.0p |

Divisional performance

UK Stores

UK store sales increased by 0.9 per cent to £204.6 million. Like-for-like sales (defined as sales growth on the previous year for stores that have been trading continuously from the same selling space for at least 13 financial periods) increased by 2.4 per cent. The sales loss due to net store closures was 1.5 per cent. Of the ten store closures announced with our results in May, two were closed in the first half year.

Operating profit (before exceptional operating items) increased by 7.8 per cent to £5.2 million (2003 – £4.8 million).

Mothercare Direct

Mothercare Direct sales have reduced by 1.8 per cent to £9.1 million. However operating profit grew by 43.7 per cent to £0.8 million. This business has benefited from the margin growth achieved across the business.

The Direct business is becoming more closely interrelated with our UK Stores

business as we roll out web enabled stores which allow customers to order product from Mothercare Direct in store. Separating out the profitability of this business is becoming less meaningful and we therefore do not plan to report its profit performance separately in the future.

Mothercare International

Mothercare International, our overseas franchise business, performed well with sales growing by 16.7 per cent to £29.5 million and operating profit growing 19.7 per cent to £4.0 million. Twelve new franchise stores were opened in the first half taking the total to 200.

Operating profit

Operating profit was £10.0 million, an increase of £0.5 million over the first half of last year. The operating profit, before exceptional operating items, increased 14.9 per cent to £10.0 million (2003 – £8.7 million).

Gross margin increased by 2.0 percentage points to 48.9 per cent. The improvements in our product range and the early benefits of our sourcing initiatives played a major role in this improvement.

The gross margin in the first half has benefited from a number of timing differences in relation to last year which will reverse in the second half year.

Distribution costs reduced from 6.5 per cent of sales for the first half of last year

to 6.3 per cent of sales for the first half of this year.

Exceptional items

There were no exceptional items in the first half of the year (2003 – £4.6 million). However subsequent to the end of the first half we have disposed of a subsidiary undertaking with capital tax losses attached for £2.4 million net of costs. This amount will show as an exceptional item in the second half.

Interest and taxation

Net interest income increased to £0.9 million (2003 – £0.1 million) as a result of the higher average cash balances resulting from the positive cash flow of the business.

Due to the tax losses we have brought forward no tax will actually be paid for the year. The tax charge of £3.5 million, representing an effective tax rate of 33 per cent, reflects utilisation of these losses in respect of which a deferred tax asset was established at the end of last year.

Balance sheet and cash flow

The group had a net cash inflow of £1.1 million in the period, leading to the cash balance at the end of the half year of £41.4 million (2003 – £40.3 million).

Capital expenditure for the period was £10.3 million (2003 – £2.3 million), of which the cost of our high street store refurbishment programme was

Financial review

continued

£5.4 million. We now anticipate that capital expenditure for the full year will be some £23 million. This includes the continuation of the high street store refit programme and the continued roll out of our EPOS programme. The total for the year will also include the trial of our out-of-town refit programme together with the cost of the three new stores opened in the year.

Earnings per share and dividend

Basic earnings per share are 10.8 pence for the period (2003 – 20.0 pence).

Earnings per share before exceptional items are 10.8 pence (2003 – 13.1 pence). The current period is after a tax charge of £3.5 million (2003 – £nil) which equates to 5.2 pence per share (2003 – nil pence per share).

The directors are pleased to declare an interim dividend of 2.7 pence. This will be paid on 11 February 2005 to shareholders on the register at the close of business on 7 January 2005. The shares will trade ex-dividend from 5 January 2005.

Biography



David Williams

Non-executive director
(appointed 2 August 2004)

An Operating Partner with the private equity firm Duke Street Capital focusing on consumer investments. Previously Chief Executive Officer of the Thresher Group. Formerly Chairman of Slug and Lettuce plc. Has also held senior positions at Diageo plc, as President of Burger King for Europe, Middle East and Africa region, and PepsiCo Restaurants as President Worldwide Franchising. Aged 58.

Group profit statement

| 28 weeks ended 11 October 2003 | | | | | | 52 weeks ended 27 March 2004 | |
|---|------|--|---------------------------------------|---|--------------------|------------------------------|--|
| | Note | 28 weeks ended 9 October 2004 £ million | Before exceptional items £ million | Exceptional items (note 2) £ million | Total £ million | £ million | |
| Turnover | | 243.2 | 237.3 | – | 237.3 | 446.9 | |
| Profit from retail operations | | 10.0 | 8.7 | 0.8 | 9.5 | 16.6 | |
| Exceptional items | 2 | – | – | 3.8 | 3.8 | 6.6 | |
| Interest (net) | 3 | 0.9 | 0.1 | – | 0.1 | 0.7 | |
| Profit before taxation | | 10.9 | 8.8 | 4.6 | 13.4 | 23.9 | |
| Taxation | 2, 4 | (3.5) | – | – | – | 7.3 | |
| Profit after taxation | | 7.4 | 8.8 | 4.6 | 13.4 | 31.2 | |
| Dividends | 5 | (1.8) | | | – | (2.7) | |
| Retained profit | | 5.6 | | | 13.4 | 28.5 | |
| Dividend per share | 5 | 2.7p | | | 0.0p | 4.0p | |
| Earnings per share before exceptional items | 6 | 10.8p | | | 13.1p | 24.4p | |
| Basic earnings per share | 6 | 10.8p | | | 20.0p | 46.5p | |
| Earnings per share diluted | 6 | 10.6p | | | 19.8p | 45.7p | |

Reconciliation of movement in shareholders' funds

| | 28 weeks ended 9 October 2004 £ million | 28 weeks ended 11 October 2003 restated* £ million | 52 weeks ended 27 March 2004 £ million |
|---|--|--|---|
| Profit for the financial period | 7.4 | 13.4 | 31.2 |
| Dividends | (1.8) | – | (2.7) |
| New share capital subscribed | 0.9 | 0.2 | 0.8 |
| Acquisition of own shares | – | – | (0.2) |
| Cost of employee share schemes charged to profit and loss account | 0.8 | 0.4 | 0.9 |
| Movement in shareholders' funds | 7.3 | 14.0 | 30.0 |
| Opening shareholders' funds as previously stated | 135.7 | 110.6 | 110.6 |
| Prior year adjustment | – | (5.0) | (4.9) |
| Opening shareholders' funds as restated | 135.7 | 105.6 | 105.7 |
| Closing shareholders' funds | 143.0 | 119.6 | 135.7 |

*Comparative figures for the 28 weeks ended 11 October 2003 have been restated as detailed in note 9.

Group balance sheet

| | | 9 October 2004 | 11 October 2003 restated* | 27 March 2004 |
|---|------|----------------|------------------------------|---------------|
| | Note | £ million | £ million | £ million |
| Fixed assets | | | | |
| Tangible assets | | 84.7 | 80.3 | 81.3 |
| Current assets | | | | |
| Stocks | | 45.9 | 44.2 | 45.0 |
| Debtors | | 33.2 | 27.4 | 34.0 |
| Cash at bank and in hand | | 41.4 | 28.4 | 40.3 |
| Creditors – amounts falling due within one year | 7 | (58.9) | (56.3) | (60.1) |
| Net current assets | | 61.6 | 43.7 | 59.2 |
| Total assets less current liabilities | | 146.3 | 124.0 | 140.5 |
| Creditors – amounts falling due after more than one year | 7 | (0.8) | (1.6) | (1.2) |
| Provisions for liabilities and charges | 8 | (2.5) | (2.8) | (3.6) |
| Net assets | | 143.0 | 119.6 | 135.7 |
| Capital and reserves attributable to equity interests | | | | |
| Called up share capital | | 35.8 | 35.3 | 35.5 |
| Share premium account | | 1.2 | 0.2 | 0.6 |
| ESOP reserve | | (3.4) | (4.6) | (4.2) |
| Profit and loss account | | 109.4 | 88.7 | 103.8 |
| | | 143.0 | 119.6 | 135.7 |

*Comparative figures for the 28 weeks ended 11 October 2003 have been restated as detailed in note 9.

Group cash flow statement

| | 28 weeks ended 9 October 2004 £ million | 28 weeks ended 11 October 2003 £ million | 52 weeks ended 27 March 2004 £ million |
|--|---|--|--|
| Reconciliation of net cash flow from operating activities | | | |
| Profit from retail operations before exceptional items | 10.0 | 8.7 | 15.8 |
| Depreciation | 6.4 | 6.1 | 13.0 |
| Reversal of past impairment losses | – | – | (1.1) |
| Loss on disposal of tangible fixed assets | 0.5 | – | 0.9 |
| Cost of employee share schemes | 0.8 | 0.4 | 0.9 |
| Working capital | (4.9) | 8.1 | 8.0 |
| Exceptional items | (1.0) | (0.4) | (0.4) |
| Net cash flow from operating activities | 11.8 | 22.9 | 37.1 |
| Returns on investments and servicing of finance | 0.9 | 0.1 | 0.7 |
| Taxation | – | – | – |
| Capital expenditure | (10.3) | (2.3) | (7.1) |
| Trading cash flow | 2.4 | 20.7 | 30.7 |
| Acquisitions and disposals | 0.5 | – | 1.3 |
| Equity dividends paid | (2.7) | – | – |
| | 0.2 | 20.7 | 32.0 |
| Management of liquid resources | 10.0 | – | (30.0) |
| Financing | 0.9 | – | 0.6 |
| Increase in cash in the period | 11.1 | 20.7 | 2.6 |

Reconciliation of net cash flow to movement in net funds

| | 28 weeks ended 9 October 2004 £ million | 28 weeks ended 11 October 2003 £ million | 52 weeks ended 27 March 2004 £ million |
|---|---|--|--|
| Increase in cash in the period | 11.1 | 20.7 | 2.6 |
| Cash flow from management of liquid resources | (10.0) | – | 30.0 |
| Movement in net funds in the period | 1.1 | 20.7 | 32.6 |
| Net funds at the beginning of the period | 40.3 | 7.7 | 7.7 |
| Net funds at the end of the period | 41.4 | 28.4 | 40.3 |

Analysis of net cash

| | 28 weeks ended 9 October 2004 £ million | 28 weeks ended 11 October 2003 £ million | 52 weeks ended 27 March 2004 £ million |
|--------------------------|---|--|--|
| Cash at bank and in hand | 21.4 | 28.4 | 10.3 |
| Time deposits | 20.0 | – | 30.0 |
| | 41.4 | 28.4 | 40.3 |

Notes

1 Accounting policies

This interim report has been prepared under the historic cost convention as in previous years and on the basis of the accounting policies set out in the group financial statements for the 52 weeks ended 27 March 2004.

UITF 38 'Accounting for ESOP trusts' was adopted during the prior year as fully detailed in the group financial statements for the 52 weeks ended 27 March 2004. Comparative figures for the 28 weeks ended 11 October 2003 have been restated accordingly, as detailed in note 9.

2 Exceptional items

In the 28 weeks ended 9 October 2004, no exceptional items have been recorded.

In the 28 weeks ended 11 October 2003 and the 52 weeks ended 27 March 2004, profit from retail operations included an exceptional credit of £0.8 million relating to VAT, principally arising from the successful outcome of an outstanding VAT claim.

In the 28 weeks ended 11 October 2003, non-operating exceptional items credited to profit before taxation amounted to £3.8 million. These comprised the release of a prior year provision of £2.6 million no longer required following the early surrender of the lease of a vacant property and a lease premium of £1.2 million received on the sale of the lease of a store.

In the 52 weeks ended 27 March 2004, exceptional items credited to profit before taxation amounted to £6.6 million and comprised the two items above and the following additional items.

Lease premiums of £1.3 million received and receivable on the sales of the leases of a further three stores offset by a charge of £0.5 million to provide for the loss on disposal of another two stores.

A profit on disposal of one of the group's subsidiary undertakings with capital tax losses attached of £2.0 million.

The tax effect of all the above exceptional items was £nil.

In the 52 weeks ended 27 March 2004, an exceptional tax credit of £7.3 million was recorded, £6.4 million of which related to the creation of a deferred tax asset in respect of carried forward tax losses following the group's return to profitability and £0.9 million of which reflected the release of a brought forward provision for corporation tax which was no longer required.

3 Interest (net)

| | 28 weeks ended 9 October 2004 £ million | 28 weeks ended 11 October 2003 £ million | 52 weeks ended 27 March 2004 £ million |
|---------------------|--|--|--|
| Interest payable | (0.1) | (0.1) | (0.2) |
| Interest receivable | 1.0 | 0.2 | 0.9 |
| | 0.9 | 0.1 | 0.7 |

4 Taxation

The tax charge comprises entirely of deferred tax and is calculated at 33 per cent (2003 – nil per cent) being the estimated effective rate of tax on the expected result for the 52 weeks ending 26 March 2005.

A deferred tax asset of £6.4 million was recognised for tax losses carried forward at 27 March 2004, after taking account of any deferred tax liabilities, as the directors were of the opinion that it was more likely than not that the benefit of the tax losses would be realised. This deferred tax asset has reduced to £2.9 million at 9 October 2004 reflecting utilisation of these losses against profits in the period. The group had tax losses carried forward of approximately £29 million as at 9 October 2004 (2003 – approximately £39 million).

5 Dividends

The interim dividend of 2.7 pence (2003 – nil pence) per ordinary share will cost £1.8 million (2003 – £nil). The dividend will be paid on 11 February 2005 to ordinary shareholders on the register at the close of business on 7 January 2005.

6 Earnings per share

| | 28 weeks ended 9 October 2004 | 28 weeks ended 11 October 2003 | 52 weeks ended 27 March 2004 |
|---|--|-----------------------------------|---------------------------------|
| Weighted average number of shares in issue | 67.8m | 67.2m | 67.3m |
| Dilution – option schemes | 1.3m | 0.5m | 1.1m |
| Diluted weighted average number of shares in issue | 69.1m | 67.7m | 68.4m |
| Profit after tax | £7.4m | £13.4m | £31.2m |
| Exceptional items (net of tax) | – | (£4.6m) | (£14.7m) |
| Profit after tax before exceptional items | £7.4m | £8.8m | £16.5m |
| Basic earnings per share | 10.8p | 20.0p | 46.5p |
| Earnings per share before exceptional items | 10.8p | 13.1p | 24.4p |
| Diluted basic earnings per share | 10.6p | 19.8p | 45.7p |

The earnings per share before exceptional items has been calculated to provide further information. It is calculated by dividing the profit after tax but before exceptional items by the weighted average number of shares in issue.

7 Creditors

| | 28 weeks ended 9 October 2004 £ million | 28 weeks ended 11 October 2003 £ million | 52 weeks ended 27 March 2004 £ million |
|--|--|--|--|
| Amounts falling due within one year | | | |
| Trade creditors | 30.6 | 26.2 | 25.6 |
| Proposed dividend | 1.8 | – | 2.7 |
| Corporation tax | – | 0.9 | – |
| Payroll and other taxes, including social security | 2.1 | 3.0 | 1.2 |
| Accruals and deferred income | 23.0 | 24.9 | 28.8 |
| Landlords' contributions | 0.8 | 1.1 | 1.0 |
| Other creditors | 0.6 | 0.2 | 0.8 |
| | 58.9 | 56.3 | 60.1 |
| Amounts falling due after one year | | | |
| Landlords' contributions | 0.8 | 1.6 | 1.2 |

8 Provisions for liabilities and charges

| | Property provisions £ million | Other provisions £ million | Total £ million |
|------------------------|-------------------------------------|----------------------------------|----------------------------|
| Opening balance | 2.6 | 1.0 | 3.6 |
| Utilised in period | (1.0) | (0.3) | (1.3) |
| Charged in period | – | 0.2 | 0.2 |
| Closing balance | 1.6 | 0.9 | 2.5 |

Property provisions principally represent the costs of store disposals. Other provisions principally represent provisions for uninsured losses.

9 Restatement of 28 weeks ended 11 October 2003

The group adopted UITF Abstract 38 'Accounting for ESOP trusts' in the group financial statements for the 52 weeks ended 27 March 2004. This Abstract requires companies to show shares owned by employee trusts as a deduction from equity. These amounts had previously been shown as fixed asset investments. As a consequence, the balance sheet as at 11 October 2003 has been restated to conform to this Abstract. The adoption had no impact on the group's results for the 28 weeks ended 11 October 2003 or in previous accounting periods.

This interim report was approved by the directors on 18 November 2004. Results for the two half years have not been audited, but have been reviewed by the auditors. The financial information contained in the interim accounts does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The full year comparatives were extracted from the full group accounts which have been filed with the Registrar of Companies together with an unqualified auditors' report. All shareholders will receive a copy of this statement.

Independent review report to Mothercare plc

Introduction

We have been instructed by the Company to review the financial information for the 28 weeks ended 9 October 2004 which comprises the group profit statement, the reconciliation of movement in shareholders' funds, the group balance sheet, the group cash flow statement and the related notes 1 to 9. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with Bulletin 1999/4 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 them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Mothercare plc management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 28 weeks ended 9 October 2004.



Deloitte & Touche LLP

Chartered Accountants, London
18 November 2004

Shareholder information

| Financial calendar | 2005 |
|---|--------------|
| Payment of interim dividend | 11 February |
| Preliminary announcement of results for the 52 weeks ended 26 March 2005 | end May |
| Issue of report and accounts | mid June |
| Annual General Meeting | mid July |
| Payment of final dividend | mid August |
| Preliminary announcement of results for the 28 weeks ended 8 October 2005 | end November |

Registered office and head office

Cherry Tree Road
Watford
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WD24 6SH
Telephone 01923 241000
Facsimile 01923 240944
www.mothercare.com
Registered number 1950509

Company secretary

Clive E Revett

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:

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA
Telephone 0870 600 3965
www.lloydstsb-registrars.co.uk

Low cost share dealing service

A postal share dealing service is available through the Company's stockbrokers for the purchase and sale of Mothercare plc shares. Further details may be obtained from:

Cazenove & Co Ltd
20 Moorgate
London
EC2R 6DA
Telephone 020 7155 5155



Clothes available from
Mothercare stores.
Split-hood parka £21/23
● Poodle bag £8
T-shirt £7/8
Cuff trousers £14/15
Tie front boots £24/26

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